

COMMITTED TO FINDING
BETTER WAYS TO ENERGY

Annual report
of the GEN-I Business Group and GEN-I,
trgovanje in prodaja električne energije, d.o.o.
for the 2009 Business Year

General information about the company

Full company name:	GEN-I, trgovanje in prodaja električne energije, d.o.o.
Abbreviated company name:	GEN-I, d.o.o.
Company headquarters:	Cesta 4. julija 42, SI-8270 Krško, Slovenia
Share capital:	EUR 12,877,610.00
Ownership structure:	50% GEN energija, d.o.o. 50% Istrabenz Gorenje, d.o.o.
Company size:	Large company
Registration number:	1587714
VAT number:	71345442
Court register entry number:	1/04524/00; registered at the District Court of Krško
Date of last court register entry:	28 December 2009
Company's core activities:	Electricity trading, supply of electricity to end-customers
E-mail:	info@gen-i.si, pocenielektrika@gen-i.si
Website:	www.gen-i.si, www.pocenielektrika.si
Company management:	Robert Golob, PhD, President of the Management Board Martin Novšak, Vice President of the Management Board Igor Koprivnikar, PhD, Member of the Management Board Responsible for Trading Dejan Paravan, PhD, Member of the Management Board Responsible for Electricity Sales
Management model:	Single-tier

Key performance data for 2009

GEN-I, d.o.o.	2009	2008	Index 2009/08
Sales revenues	421,723,781	320,744,875	131.5
Operating profit or loss (EBIT)	4,880,384	9,043,961	54.0
Operating profit or loss before depreciation and amortization (EBITDA)	5,250,362	9,280,680	56.6
Net profit or loss	9,877,832	5,216,024	189.4
Cash flow	10,247,810	5,452,743	187.9
Equity	23,243,632	13,443,414	172.9
Liabilities	37,104,653	74,189,414	50.0
Total equity and liabilities	60,348,285	87,632,828	68.9
Number of employees as at 31 December	73	47	155.3
Quantity of electricity sold in TWh	7.8	4.4	177.3

Indicator/year	2009	2008
Self-financing rate	38.52%	15.34%
Long-term financing rate	38.62%	15.39%
Fixed asset investment ratio	1.33%	0.92%
Immediate solvency ratio	27.81%	3.01%
Quick ratio	152.04%	108.36%
Current ratio	155.62%	115.79%
Operating efficiency ratio	101.17%	102.90%
Net return on equity ratio	73.69%	54.67%
Return on revenue ratio	2.72%	2.11%

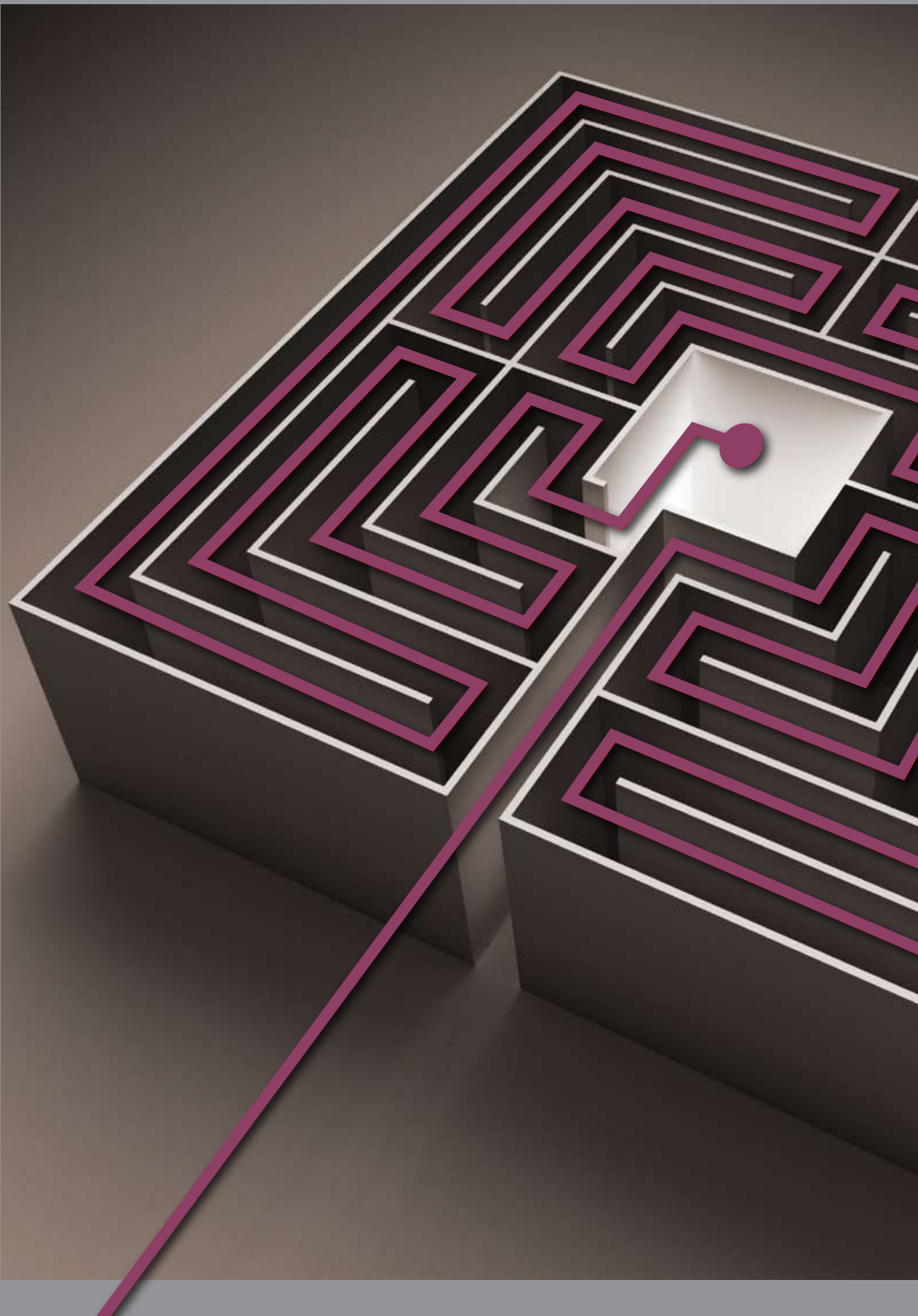
GEN-I Group	2009	2008	Index 2009/08
Sales revenues	456,764,823	377,964,839	120.9
Operating profit or loss (EBIT)	14,182,104	14,365,376	98.7
Operating profit or loss before depreciation and amortization (EBITDA)	14,558,282	14,602,137	99.7
Net profit or loss	14,920,068	10,163,849	146.8
Cash flow	15,296,246	10,400,610	147.1
Equity	33,192,621	18,673,516	177.8
Liabilities	45,406,515	70,433,084	64.5
Total equity and liabilities	78,599,136	89,106,600	88.2
Number of employees as at 31 December	83	53	152.8
Quantity of electricity sold in TWh	8.2	5	164

Indicator/year	2009	2008
Self-financing rate	42.23%	20.96%
Long-term financing rate	42.31%	21.01%
Fixed asset investment ratio	1.07%	0.90%
Immediate solvency ratio	34.74%	6.54%
Quick ratio	168.24%	119.04%
Current ratio	171.24%	125.32%
Operating efficiency ratio	103.20%	103.95%
Net return on equity ratio	80.77%	100.70%
Return on revenue ratio	3.86%	3.29%

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I. A look into the core

MISSION, VISION, STRATEGY

BUSINESS ACTIVITIES OF THE COMPANY AND THE GROUP

CAPITAL CHANGES WITHIN THE COMPANY AND THE GROUP

THE GROUP'S ORGANIZATIONAL UNITS AND SUBSIDIARIES

BALANCE GROUP STRUCTURE

In a maze of electricity power networks better ways are found by those who see further, search for ways beyond frontiers, and reach better decisions in an interlace of options.

I.1 Mission, vision, strategy

THE BASIS FOR ACHIEVING GOOD BUSINESS RESULTS WITHIN THE GEN-I GROUP AND THE COMPANY IS IN-DEPTH UNDERSTANDING OF THE NEEDS OF ALL THOSE INVOLVED IN THE ENERGY SUPPLY CHAIN.

Synergies resulting from the combination of cutting-edge knowledge, flexible and efficient information system, and access to production sources, guarantee the Company and the Group outstanding responsiveness and ability to develop innovative products and services. Professional approach to establishing new business partnerships, progressive management of skilled and highly motivated staff, and effective risk management all contribute to the Company's and the Group's long-term success.

Mission: responsible for electricity

We take responsibility for electricity. Our know-how, professional approach, and creativity help us efficiently supply electricity by enabling production resources to manage risks and by providing end-customers with quality delivery services and cost-management solutions.

Vision: first choice for suppliers

We have been strengthening our position as the second-largest balance group on the Slovenian electricity market and have been increasing our presence on regional markets. By constantly improving and combining our competitive advantages, we have been achieving excellent economies of scale and improving the reliability of electricity supply to our customers, while at the same time strengthening our position as a reliable trading partner by developing the infrastructure on regional markets and actively promoting our trading activities. Due to our friendly and professional approach, and optimal electricity prices, we are quickly becoming the electricity supplier of choice for households and business customers in Slovenia and abroad.

Strategy: forward-looking and innovative

To ensure the strength of our balance group, which is based on responsible electricity sales, we:

- manage and coordinate the balance group and add new Slovenian production sources, thereby increasing competition on the domestic electricity market;
- use a transparent and straightforward approach to production sources within the balance group, helping them optimize the sale of electricity and manage risks associated with unforeseen production unit outages;
- continue to reinforce and develop the infrastructure for the international trading of electricity products and cross-border transfer capacities internationally, and coordinate our balance groups on foreign markets with utmost reliability;
- offer end-customers advanced and innovative electricity supply products and provide them with friendly and professional services for better management of their electricity consumption at optimal prices;
- rely on a flexible organizational structure, efficient information support, innovative products, and a fair approach to our business partners to help us reinforce our presence on energy markets in South and Southeast Europe;
- create a working environment that stimulates innovation and encourages the professional growth of our employees.

I.2 Business activities of the company and the group

THE KEY AREAS OF ELECTRICITY SUPPLY AND RELIABLE MANAGEMENT OF PROCESSES AND RISKS ASSOCIATED WITH ENSURING QUALITY SUPPLY ARE DIVIDED INTO THE FOLLOWING THREE BASIC SEGMENTS WITHIN THE COMPANY AND THE GEN-I GROUP: PURCHASE OF ELECTRICITY FROM PRODUCERS, ELECTRICITY TRADING, AND SALE OF ELECTRICITY TO END-CUSTOMERS.

Trading: crucial for portfolio management

Trading activities are focused on the implementation of the company's business strategy through a globally oriented portfolio that includes contracts on the purchase of electricity from production sources, contracts on the supply of electricity to end-customers, and a number of products from bilateral and organized trading aimed at maintaining the price stability of the portfolio.

The infrastructure on which trading is founded consists of skilled employees, extensive international trading network, experience in the international environment, and effective information support. Electricity trading is carried out continuously throughout the year and involves the use of a wide range of long-term and medium-term physical and financial futures contracts, as well as weekly, daily, and intra-day trading.

Some of the most important activities include obtaining and optimizing the use of cross-border transfer capacities, which are necessary for transferring electricity from one country to another or between different price zones. Because of their limited availability, cross-border transfer capacities can have a significant impact on the price of electricity in individual countries.

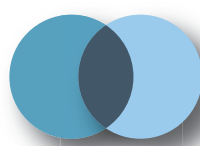
Sales: individual approach for optimal utilization

GEN-I, d.o.o. offers electricity users advanced products and services with the desired level of market risks.

The Company was the first in Slovenia to offer large consumers an individual approach and portfolio management services that were tailored to each customer's needs.

With the help of advanced information technology, innovative web application Terminal, and professional consulting services, GEN-I was able to offer its customers an optimized way to formulate their purchase strategy, taking full advantage of price fluctuations on the electricity market.

In the 2009 business year, GEN-I, d.o.o. introduced a new product brand for small business customers and households called Poceni elektrika (Affordable electricity). Within just a few months, the new brand made a great impact on this market segment, becoming an important supplier and rounding off the company's presence in all target segments on the domestic market.



- Purchase of electricity from producers
- Electricity trading
- Sale of electricity to end-customers

GEN-I, d.o.o.'s core activities

Purchase: reliable supply and risk management

The purchase of electricity from producers includes various products by individual production units. Taking into account the relevant quantities, dynamics, price models, and risk structures, GEN-I, d.o.o. carefully transforms these products into standardized forms that enable a comprehensive and reliable supply of electricity to end-customers.

The company offers electricity producers the sale of electricity in a responsible and transparent way, and enables them to manage the risks associated with unplanned production unit outages. When identifying the best sales models, the Company's agility enables it to adjust easily to the needs and business objectives of individual sellers.

Connectedness: three main activities intertwined

All three business activities are included in the GEN-I balance group, which is managed within the electricity trading activity.

The activities are carried out in separate portfolios and by various profit centers that are connected by common market prices. This approach enables the company to easily evaluate the performance of individual units.

The purchase of electricity is closely linked to trading and sales. Closed contracts with producers are negotiated as part of trading activities, while open contracts with electricity producers who use renewable energy sources and high-efficiency cogeneration plants are concluded within sales.

I.3 Capital changes within the company and the group

THE GEN-I BUSINESS GROUP IS NOW THE SECOND-LARGEST BALANCE GROUP ON THE SLOVENIAN ELECTRICITY MARKET WITH AN INCREASINGLY STRONG PRESENCE ON REGIONAL SOUTHEAST EUROPEAN MARKETS.

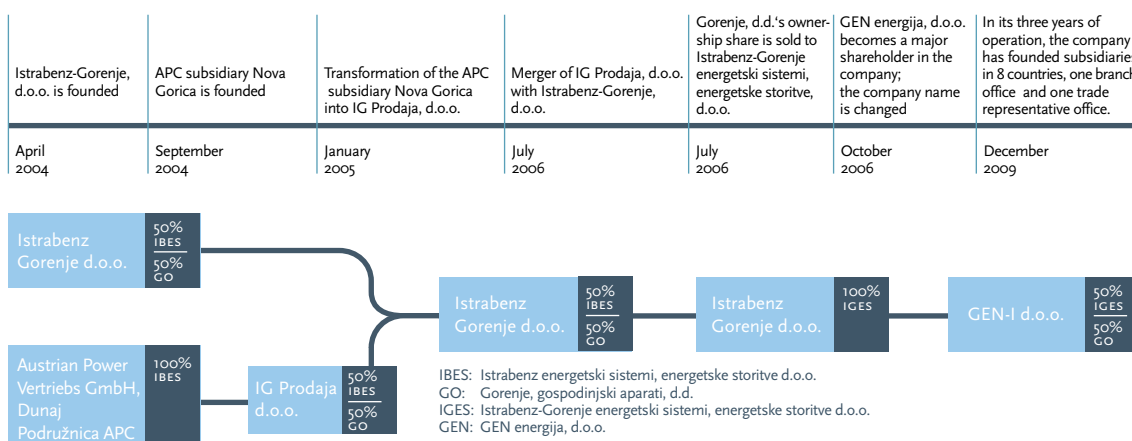
GEN-I is owned in two equal shares by Istrabenz Gorenje, d.o.o. and GEN energija, d.o.o. The company's share capital was increased to EUR 12,877,610.00 in December 2009 based on a decision by the general meeting of shareholders.

Istrabenz Gorenje, d.o.o. and GEN energija, d.o.o. have held ownership stakes in GEN-I, d.o.o. since October 2006, when the latter acquired a stake in the company following earlier status and capital changes. As a result of the new shareholder's entry, the company's name was changed to GEN-I, trgovanje in prodaja električne energije, d.o.o. and has remained such to date.

der, Istrabenz-Gorenje, d.o.o.'s name was changed to **GEN-I, trgovanje in prodaja električne energije, d.o.o.** The company's share capital at the time was EUR 4,172,926.00, with the two partners holding equal 50% stakes. The company's share capital continues to rise with the expansion of operations to ensure its capital adequacy.

Share capital increase. In December 2007, the general meeting of shareholders of GEN-I, d.o.o. passed a decision to increase the company's share capital from EUR 4,172,926.00 to EUR 8,000,000.00. GEN energija, d.o.o. and Istrabenz Gorenje, d.o.o. paid in new cash contributions in proporti-

An overview of the Company's history



History: important milestones in the development of GEN-I

Istrabenz-Gorenje, trgovanje in prodaja električne energije, d.o.o. was established in 2004 with share capital of EUR 1,251,877.82 by owners Istrabenz energetske storitve, d.o.o. (IBES) and Gorenje, d.d.

Istrabenz-Gorenje, d.o.o. was merged with IG Prodaja, d.o.o., a company established in 2005 and owned by shareholders IBES and Gorenje. The merger in 2006 provided Istrabenz-Gorenje, d.o.o. with functional foundations for further development.

That same year, Gorenje d.d. became an equal partner of Istrabenz, d.d. in Istrabenz energetske storitve, d.o.o. (IBES), while at the same time selling to IBES its ownership stake in Istrabenz-Gorenje, d.o.o. Following Gorenje's entry, IBES changed its name, first to Istrabenz Gorenje energetske storitve, d.o.o. (IGES) and then to Istrabenz Gorenje, d.o.o.

Shareholder GEN energija acquired an ownership stake in October 2006. After the arrival of the new shareholder,

on to their existing participating interests. In June 2007, the general meeting of shareholders of GEN-I, d.o.o. passed a decision to increase the company's share capital from EUR 8,000,000.00 to EUR 10,477,610.00. At the general meeting of shareholders in December 2009, the two shareholders agreed on another capital increase, bringing the company's total share capital to EUR 12,877,610.00.

The incorporation of subsidiaries in South and Southeast Europe. The first subsidiary to be established in November 2005 was GEN-I Zagreb d.o.o. in Croatia. One year later, in August 2006, the subsidiary GEN-I d.o.o. Beograd was established in Serbia, followed by the Hungarian subsidiary GEN-I Budapest Kft in September 2007. In 2007, the company also founded a trade representative office in Bulgaria. In 2008, subsidiaries were established in Albania (GEN-I Tirana Sh.p.k), Macedonia (GEN-I DOOEL Skopje), Bosnia-Herzegovina (GEN-I d.o.o. Sarajevo), and Greece (GEN-I Athens SMLLC). In October 2009, the Romanian subsidiary was founded (S.C. GEN-I Bucharest s.r.l.), and as of November 2009, the GEN-I Group is also present in Kosovo through a subsidiary of its Albanian company (GEN-I Tirana Sh.p.k – PËRFAQËSIA NË KOSOVOË).

I.4 The group's organizational units and subsidiaries

GEN-I, D.O.O. HAS TWO ORGANIZATIONAL UNITS IN SLOVENIA AND A NETWORK OF SUBSIDIARIES ABROAD. THE SUBSIDIARIES ARE ALL FULLY OWNED BY GEN-I, D.O.O. AND TOGETHER WITH THE PARENT COMPANY FORM THE INTERNATIONAL GEN-I GROUP.

Parent company: the fastest growing electricity company in Slovenia

GEN-I, TRGOVANJE IN PRODAJA ELEKTRIČNE ENERGIJE, D.O.O.
Cesta 4. julija 42, SI-8270 Krško, Slovenia
Tel: +386 (0)7 48 81 840; Fax: +386 (0)7 48 81 841;
E-mail: info@gen-i.si, pocenielektrika@gen-i.si
VAT number: SI71345442
Registration number: 1587714

GEN-I, trgovanje in prodaja električne energije, d.o.o. is the fastest growing electricity trading and sales company in Slovenia. In 2009, the Company joined the ranks of the most successful electricity trading companies in Central and Southeast Europe. Its activities include the purchase of electricity from producers, electricity trading, and sale of electricity to end-customers.

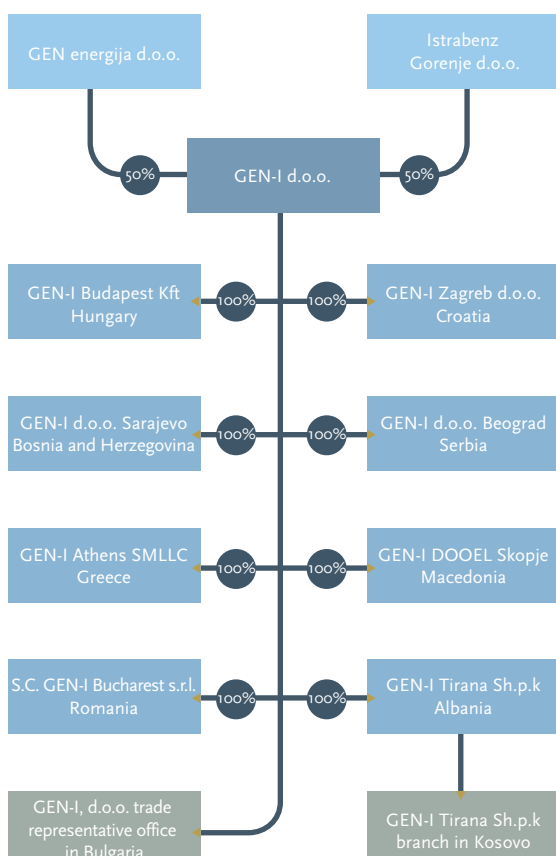
Organizational units: trading in Ljubljana, sales in Nova Gorica

GEN-I, D.O.O., OE LJUBLJANA, POWER TRADING
Dunajska cesta 119, SI-1000 Ljubljana, Slovenia
Tel: +386 (0)1 58 96 400; Fax: +386 (0)1 58 96 439;
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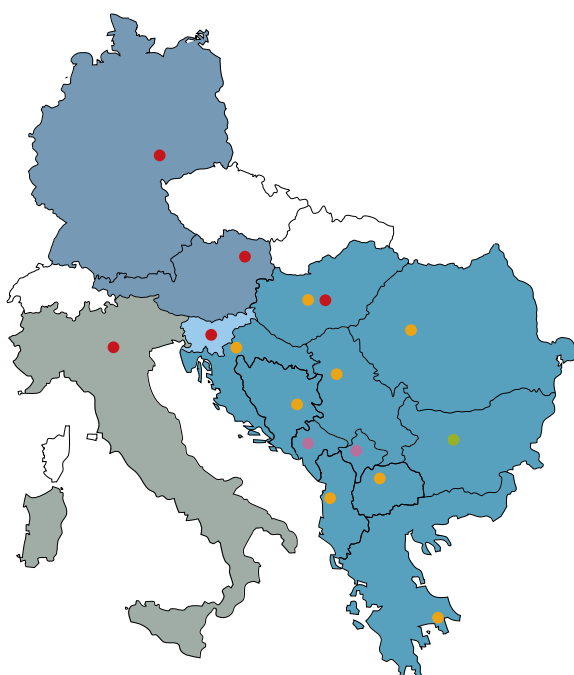
The majority of trading activities within the GEN-I Group are carried out by the parent company GEN-I, d.o.o. through its organizational unit in Ljubljana. The unit coordinates trading activities on all markets where the Group is present from one central location. Access to international markets allows the Company and the Group to optimize the utilization of cross-border paths that connect sources and consumption units, enabling them to manage risks more easily, and fully comply with all contractual obligations that arise from electricity sales and purchases.

GEN-I, D.O.O., OE NOVA GORICA, RETAIL SALES OF ELECTRICITY
Kidričeva ulica 9A, SI-5000 Nova Gorica, Slovenia
Tel: +386 (0)5 33 84 910; Fax: +386 (0)5 33 11 968;
E-mail: info@gen-i.si

The organizational unit in Nova Gorica is involved in purchasing and selling electricity in Slovenia, and has recently begun setting up and coordinating retail electricity sales on foreign markets as well. As part of electricity sales to end-customers, the organizational unit offers comprehensive services developed by constantly adjusting supply services and products at competitive prices. On the purchase side, the unit maintains electricity purchase prices at a level that is acceptable to smaller producers that generate electricity mainly from renewable sources.



GEN-I, d.o.o.'s ownership structure, including subsidiaries owned by the Company and the GEN-I Group



- Balance group
- Subsidiary with a balance group
- Trade representative office
- Branch, market representation

GEN-I Group's international presence

Subsidiaries abroad: coordination with the parent company

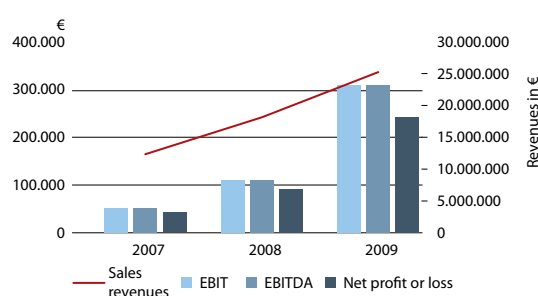
The principal activity carried out by subsidiaries in 2009 was electricity trading. The subsidiaries' operations are centralized and connected to the parent company's organizational unit in Ljubljana, which ensures the coordinated implementation of electricity purchase and sale strategies across the Slovenian and international wholesale markets. The synergy effects of this cooperation generate added value and ensure optimized management of the Group's globally oriented portfolio. The Group's extensive international trading network enables it to access more affordable electricity sources, increasing its competitiveness on sales markets. Through its foreign subsidiaries, GEN-I, d.o.o. has already initiated the appropriate procedures on several markets to prepare the infrastructure necessary for a gradual expansion of its activities to supply to end-customers.

GEN-I ZAGREB D.O.O., CROATIA

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Ružmarinka 25, 10000 Zagreb, Croatia
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E-mail: info@gen-i.si
VAT number: 2007118
Registration number: 080542189
Company ID number: 77604626413

The Croatian subsidiary was the first to be established in the GEN-I Group and has been an important link for cross-border electricity flows between the energy markets of Croatia, Hungary, Bosnia and Herzegovina, and Serbia since its incorporation in 2005. With conditions on the Croatian retail electricity market taking a more defined shape, the company expects to enter the Croatian end-customer market segment in the course of 2010.

GEN-I Zagreb	2007	2008	2009
Sales revenues	12,350,419	18,127,487	25,234,012
EBIT	50,740	109,146	309,048
EBITDA	50,740	109,146	309,048
Net profit or loss	41,315	91,180	241,667
Assets	4,666,504	9,007,643	6,735,734
Equity	30,374	119,819	566,461
Liabilities	4,636,130	8,887,824	6,169,273
Cash flow	41,315	91,180	241,667



GEN-I D.O.O. BEOGRAD, SERBIA

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E-mail: info@gen-i.si
VAT number: SR104613706
Registration number: 20193816

GEN-I D.O.O. SARAJEVO, BOSNIA AND HERZEGOVINA

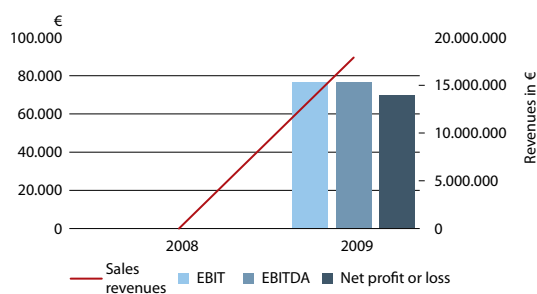
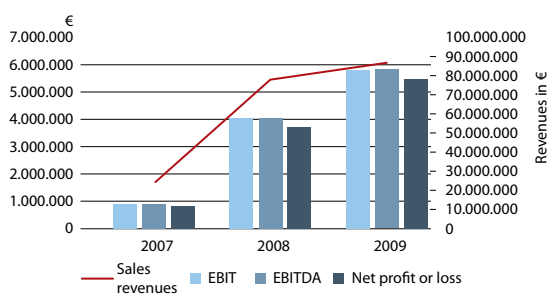
GEN-I d.o.o. Sarajevo
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E-mail: info@gen-i.si
Tax number: 201366420002
Registration number: 4201366420002

The Serbian subsidiary was founded in 2006 and plays a strategic role in cross-border electricity trading and transit flows with the nine neighboring countries. It is of great significance not only to the GEN-I Group, where it has become one of its most progressive subsidiaries, but also to the entire Southeast European region. Because end-customers in Serbia are still not able to choose their electricity supplier freely, the company is currently involved in wholesale trading only.

GEN-I Sarajevo started active operations in April 2009, completing the presence of the GEN-I Group in the electricity trading markets of all former Yugoslav countries. Market participation in Bosnia and Herzegovina is particularly important on the purchase side as all local energy companies have energy surpluses in good hydro-logic conditions.

GEN-I Beograd	2007	2008	2009
Sales revenues	24,312,511	77,911,048	86,746,890
EBIT	908,866	4,036,456	5,817,862
EBITDA	908,981	4,036,456	5,822,760
Net profit or loss	809,437	3,710,362	5,477,376
Assets	7,799,142	25,157,299	19,854,993
Equity	800,014	4,241,471	6,216,135
Liabilities	6,999,128	20,915,828	13,638,858
Cash flow	809,552	3,710,362	5,482,274

GEN-I Sarajevo	2008	2009
Sales revenues	0	17,906,733
EBIT	0	75,992
EBITDA	0	76,263
Net profit or loss	0	69,190
Assets	522,973	6,716,358
Equity	511,292	580,482
Liabilities	11,681	6,135,876
Cash flow	0	69,461

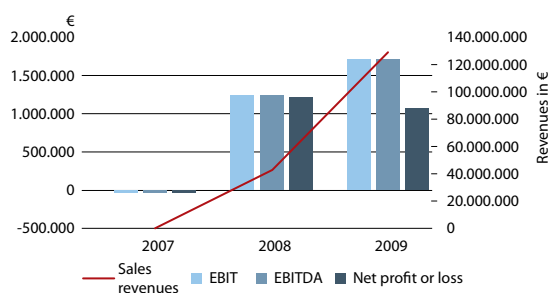


GEN-I BUDAPEST KFT., HUNGARY

GEN-I Budapest Kft.
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VAT number: HU14007866
Registration number: 01-09-884437

The Hungarian subsidiary was founded in the second half of 2007 and is already firmly established as one of the most important suppliers and strategic partners on the Hungarian wholesale market. The company sold more than 1 TWh of electricity in Hungary in 2009 and plans to further reinforce its market position. In the course of 2009, the company already sold more than 1 TWh of electricity for the 2010 business year. Owing to its increasing liquidity, the Hungarian electricity market has great potential in the electricity sales and purchases segment.

GEN-I Budapest	2007	2008	2009
Sales revenues	151,069	42,813,398	129,031,435
EBIT	-30,194	1,235,912	1,707,133
EBITDA	-30,140	1,235,912	1,707,408
Net profit or loss	-28,094	1,207,292	1,069,764
Assets	928,841	12,528,817	20,164,552
Equity	168,405	1,298,760	2,377,938
Liabilities	760,436	11,230,057	17,786,614
Cash flow	-28,040	1,207,292	1,070,039

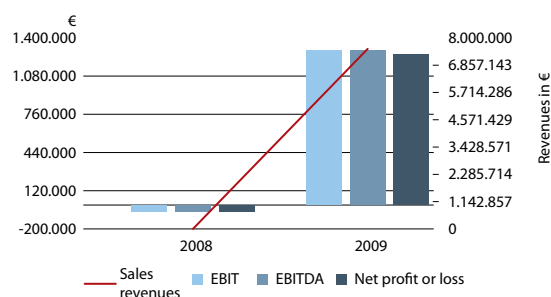


GEN-I DOOEL SKOPJE, MACEDONIA

GEN-I DOOEL Skopje
Stiv Naumov Str. 22/8, 1000 Skopje, Macedonia
Tel: +386 (0)1 58 96 400; Fax: +386 (0)1 58 96 439;
E-mail: info@gen-i.si
VAT number: MK4030008029033
Registration number: 6356354

The Macedonian subsidiary was established in March 2008. In its first year of operation, the company managed to strengthen its position on the domestic electricity market and set up the infrastructure necessary for cross-border electricity trading. In 2009, it already became an important link between the Serbian, Greek, and Bulgarian electricity markets. The GEN-I Group has been present on the Macedonian wholesale electricity market since 2004. In 2008, GEN-I DOOEL Skopje became one of the first subsidiaries within the GEN-I Group to start supplying electricity to end-customers in the industrial end-customer segment.

GEN-I Skopje	2008	2009
Sales revenues	0	7,539,522
EBIT	-54,288	1,287,881
EBITDA	-54,246	1,288,087
Net profit or loss	-54,781	1,258,778
Assets	16,448	2,596,509
Equity	-35,502	1,214,991
Liabilities	51,950	1,381,518
Cash flow	-54,739	1,258,984



GEN-I ATHENS SMLLC, GREECE

GEN-I Athens SMLLC
Acropoleos Street 47, 12131 Peristeri, Athens, Greece
Tel: +386 (0)1 58 96 400; Fax: +386 (0)1 58 96 439;
E-mail: info@gen-i.si
VAT number: 998276800
Registration number: 20125/2008

The Greek subsidiary negotiated its first independent contracts on the organized Greek electricity market in August 2009. The company has established the entire infrastructure necessary for cross-border electricity trading with the Macedonian, Bulgarian, and Italian electricity networks. It has also set up the infrastructure for selling electricity to end-customers and operations in this market segments are expected to begin soon.

GEN-I Athens	2009
Sales revenues	5,291,263
EBIT	133,940
EBITDA	134,490
Net profit or loss	99,164
Assets	1,840,387
Equity	249,164
Liabilities	1,591,223
Cash flow	99,714

GEN-I BUCHAREST S.R.L., ROMANIA

GEN-I Bucharest s.r.l.
Iuliu Barasch Street 12, 2nd floor, app. 6, sector 3,
Bucharest, Romania
Tel: +386 (0)1 58 96 400; Fax: +386 (0)1 58 96 439;
E-mail: info@gen-i.si
VAT number: RO26066122
Registration number: J40/9893/05.10.2009

The Romanian subsidiary obtained a license to trade and sell electricity on the country's internal electricity market in December 2009. The size of the Romanian electricity market and its present state of development represent significant opportunities for electricity sales and purchases, both in the wholesale market and in the end-customer segment. The Romanian wholesale market also includes an electricity exchange called OPCOM, which provides market participants with access to hourly electricity products. In 2010, this access will increase the flexibility of GEN-I's globally oriented portfolio and further improve the Group's risk management approach.

GEN-I Bucharest	2009
Sales revenues	770,586
EBIT	-8,063
EBITDA	-8,063
Net profit or loss	-5,663
Assets	1,317,017
Equity	491,607
Liabilities	825,410
Cash flow	-5,663

GEN-I TIRANA SH.P.K., ALBANIA

GEN-I Tirana Sh.p.k.
Ish-Noli Business Center, Rruga Ishmail Qemali, nr.27,
Tirana, Albania
Tel: +386 (0)1 58 96 400; Fax: +386 (0)1 58 96 439;
E-mail: info@gen-i.si
VAT number: K81413005A

In recent years, the GEN-I Group has established itself as an important electricity supplier on the Albanian market. Because of the underdeveloped state of the market, operations could only be carried out on Albanian borders. If changes to the market are implemented, the company will be able to start operations within the country in 2010 through its own subsidiary established in 2008. With the potential to balance out local shortages and surpluses, the Albanian market is of great importance to the GEN-I Group as it represents a link to the Greek electricity market.

GEN-I TIRANA SH.P.K. – KOSOVO BRANCH

GEN-I Tirana Sh.p.k. – përfaqësia në Kosovë
Gustav Mayer 16/B, 1000 Priština, Kosovo
Tel: +386 (0)1 58 96 400; Fax: +386 (0)1 58 96 439;
E-mail: info@gen-i.si
Registration number: 70621401

The subsidiary obtained a license to trade and supply electricity to end-customers in Kosovo in December 2009. In 2010, the company will take over the sale of electricity to the state-owned electricity company KEK, which is the only electricity buyer on the market. In the past, the GEN-I Group sold electricity to KEK through its parent company in Slovenia and its Serbian subsidiary.

GEN-I Tirana	2008	2009
Sales revenues	0	0
EBIT	0	-41,842
EBITDA	0	-41,842
Net profit or loss	0	-41,632
Assets	62,555	35,545
Equity	49,704	4,129
Liabilities	12,851	31,416
Cash flow	0	-41,632

I.5 Balance group structure

WITH ITS INFRASTRUCTURE AND CAPACITIES FOR DAILY AND INTRA-DAY TRADING, GEN-I, D.O.O. MANAGES THE GEN-I BALANCE GROUP, WHICH INCLUDES BALANCE SUBGROUPS OF ELECTRICITY PRODUCERS AND CONSUMERS WITH THE ACCOMPANYING DELIVERY POINTS. MEMBERSHIP IN A BALANCE GROUP ENABLES COMPANIES TO BENEFIT FROM SYNERGIES THAT ARE CREATED IN REAL TIME BETWEEN ELECTRICITY SUPPLY AND CONSUMPTION.

Producers: GEN subgroup

The GEN subgroup is managed by GEN energija, d.o.o. and includes electricity producers such as the Krško Nuclear Power Plant, the Sava Electric Power Plants in Ljubljana, and the Brestanica Coal-fired Power Plant. A share of electricity is also obtained from the Hydroelectric Power Plants on the Lower Sava River. These producers play an important role in ensuring reliable electricity supply to Slovenian consumers.

Customers: OU Nova Gorica subgroup

This balance subgroup, centered round the parent company's organizational unit in Nova Gorica, brings together end-customers and smaller electricity producers, in particular those who generate electricity from renewable sources.

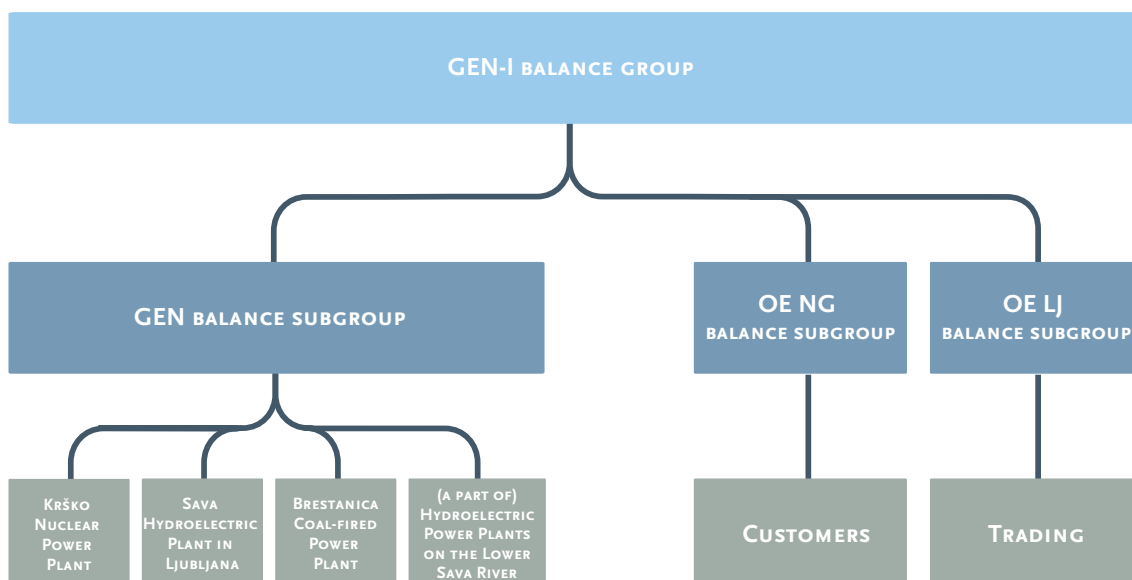
Trading: OU Ljubljana subgroup

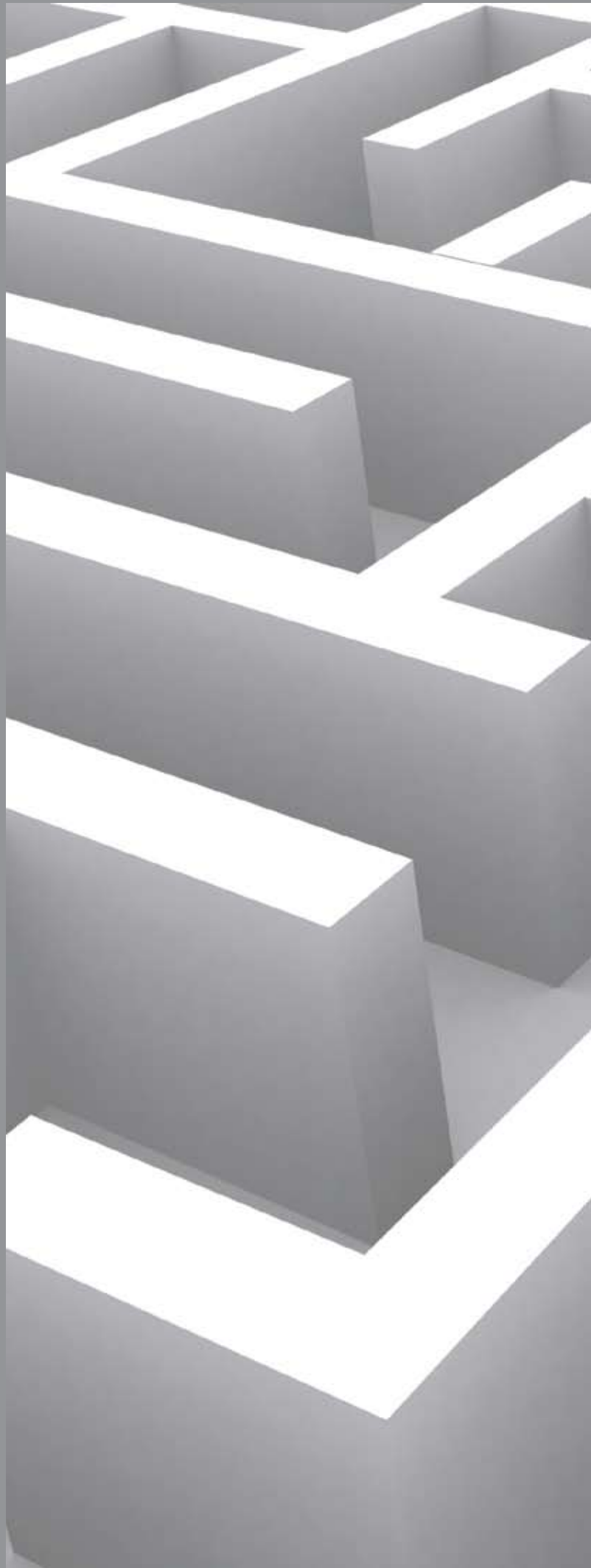
The balance subgroup of the organizational unit in Ljubljana, whose main activity is electricity trading, uses a sophisticated trading floor to balance out the Group's portfolio. Using the Slovenian balance group as a model, the Ljubljana organizational unit has established and manages a number of other balance groups on the regional markets. These balance groups form the infrastructure that ensures the optimization and reliable implementation of the Group's business strategy.

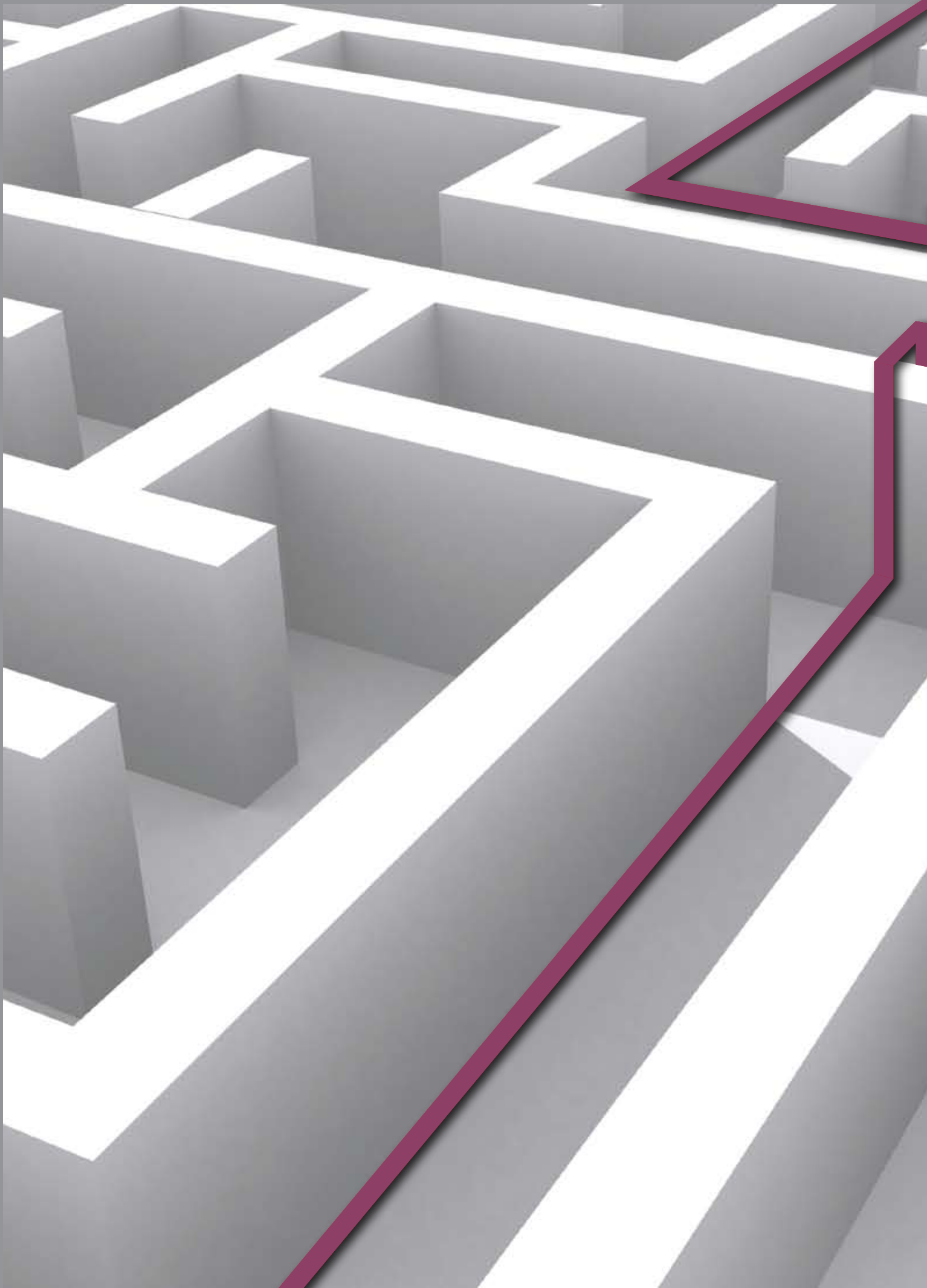
Membership in the group: balancing purchase and sales flows

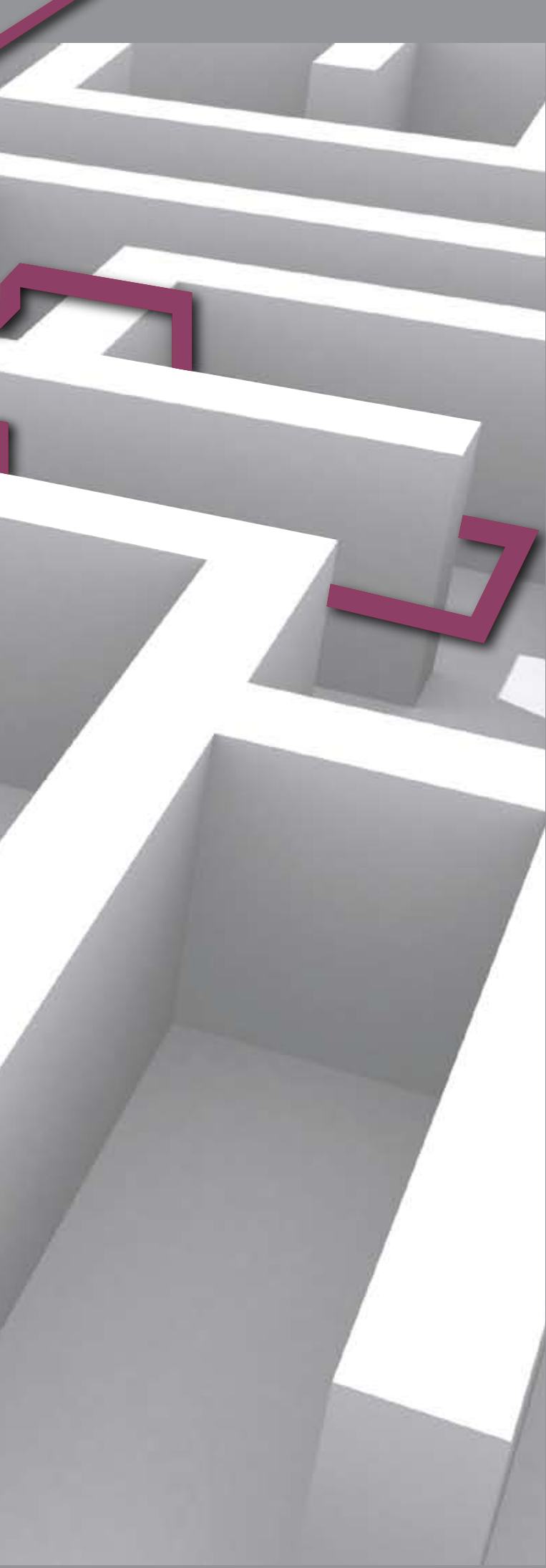
The GEN-I balance group maintains the balance between purchase and sales flows (electricity schedules) for all balance subgroups. For producers, membership in the balance group means optimal selling conditions for the electricity they produce and management of risks associated with unplanned production unit outages. In providing this, the Group aims to achieve the highest possible level of transparency.

Internal structure
of the GEN-I
balance group









II. Highlights of 2009

MANAGEMENT REPORT

CORPORATE GOVERNANCE REPORT

ANALYSIS OF OPERATIONS

SCOPE OF OPERATIONS BY ACTIVITY

RISK MANAGEMENT

ITC: IT SUPPORT FOR OPERATIONS

IMPORTANT BUSINESS EVENTS IN 2009

IMPORTANT EVENTS AFTER THE END OF THE BUSINESS YEAR

PLANS FOR 2010

In a complex and diverse network we are paving simpler and more manageable paths to the goals set. We seize opportunities. We operate efficiently.

II.1 Management report

THE BEST YEAR. SO FAR!

Growth of revenues and net profit is the main indicator of a company's good health. If we measure success by such quantifiable data, then 2009 has been the best business year to date. But at GEN-I, d.o.o. and in the GEN-I Group, we believe that the paths that lead to business success are just as important as success itself. This is why we look back at the past year with a special sense of pride. We know that our successes were achieved with the help of motivated and highly skilled employees. We know that the basis for success is a clear strategy and responsiveness to changes in our environment. We know that the way to grow is by building firm and stable partnerships and by observing the principles of business excellence. We know that in 2009 we reaped what we have sown since our company was first founded.

GEN-I, trgovanje in prodaja električne energije, d.o.o. recorded revenue growth of more than 30% in 2009 and a net profit that exceeded last year's by almost 90%. In 2008, sales revenue amounted to EUR 320.74 million, increasing to EUR 421.72 million in 2009. Net profit rose from EUR 5.22 million in 2008 to EUR 9.88 million in the 2009 business year.

The GEN-I GROUP increased its turnover by over 20% in 2009 and its net profit by more than 46% compared to a year earlier. The Group generated EUR 377.95 million in sales revenue and EUR 10.16 million in net profit in 2008, exceeding both amounts in 2009 with sales revenue of EUR 456.76 million and net profit of EUR 14.9 million.

The quantity of electricity sold increased from 5 TWh in 2008 to 8.17 TWh in 2009. The volume of transactions involving derivative financial instruments also grew significantly in the past business year, ensuring efficient hedging and preserving the value of the Group's portfolio.

Once again, we proved how important our role is in providing energy for Slovenia. We sold 2.25 TWh of electric-

ity on the Slovenian market, of which 2.1 TWh were sold to end-customers. In April 2009, we provided alternative electricity during a scheduled maintenance outage at Slovenia's largest energy production facility, the Krško Nuclear Power Plant. The strength of our long-standing cooperation with shareholder GEN energija, d.o.o. was demonstrated once again. Such lasting partnerships are at the core of our power to grow and prosper.

We are constantly expanding this network of trusted partners through our subsidiaries and representative offices, which performed exceptionally well in 2009. In line with our vision of international presence, we have upgraded our network, which already covers 14 foreign markets, with a newly founded branch in Kosovo and a subsidiary in Romania, which obtained a license for trading and selling electricity in November last year. We continue to take advantage of growth opportunities in international trading by carefully increasing purchases of cross-border transfer capacities.

Our excellence in partnerships is demonstrated to both large business customers and new household users. Our thorough and responsible attitude and individual approach have helped us reinforce existing contractual relations with our customers. By creating new products and package offers we enable customers to purchase electricity under the most competitive conditions. This is why we were able to significantly increase our market share in the large business customer segment in 2009 compared to the previous year.

Since March 2009, we have offered reliable electricity supply to Slovenian households as well. Thanks to the introduction of our Poceni elektrika (Affordable Electricity) brand, we have entered in this market segment with great success. Such an achievement would not have been possible without thorough and timely preparation of infrastructure, carefully planned strategy, and strong support from the GEN Group. Because of our access to an international network provided



Management board members (from left):

Igor Koprivnikar, PhD, Member of the Management Board responsible for Electricity Trading; Robert Golob, PhD, President of the Management Board; Martin Novšak MBA, Vice President of the Management Board; Dejan Paravan, PhD, Member of the Management Board responsible for Electricity Sales

by the GEN-I Group, we were able to take advantage of market price fluctuations, resulting in cheaper electricity for Slovenian households.

The success we experienced in 2009, together with a clear vision for each of our business activities, forms a solid foundation for future plans. We know that our goals can only be met with the combined efforts of each member of our team. People are our greatest asset and the drive behind GEN-I's growth. Our outstanding teams are a guarantee that we will continue to operate in line with the principles of business excellence. We will increase satisfaction among customers, suppliers, and partners. We will maintain our market shares and continue our deliberate efforts to increase them, while at the same time carefully managing our operating costs. We will continue to keep our promises to customers, owners, business partners, banks, and other institutions we encounter on our business path.

2009 has been the best business year. So far. We are entering 2010 well prepared for new challenges. In the year ahead, the effects of the economic downturn are expected to be most pronounced in our sector. As an international electricity trading company that is also firmly rooted in the local Slovenian market, we believe that 2010 will be yet another opportunity for us to prove that we are indeed in excellent shape!

Robert Golob, PhD
President of the Management Board

Martin Novšak,
Vice President of the Management Board

II.2 Corporate governance report

GEN-I, D.O.O. IS MANAGED BY A 4-MEMBER MANAGEMENT BOARD BASED ON A CONTEMPORARY GOVERNANCE MODEL. MEMBERS PERFORM CONTROL AND EXECUTIVE FUNCTIONS. THE BASIS FOR THIS GOVERNANCE MODEL IS THE COMPANY'S MEMORANDUM OF ASSOCIATION SIGNED BY THE TWO EQUAL SHAREHOLDERS. THE MOST IMPORTANT EVENTS IN 2009 IN TERMS OF OWNERSHIP AND ACCOUNTABILITY WERE THE TWO CAPITAL INCREASES THAT WERE NECESSARY DUE TO THE GROWING VOLUME OF THE COMPANY'S OPERATIONS AND THE ESTABLISHMENT OF NEW SUBSIDIARIES ABROAD.

Governance model: efficient single-tier board

The Company's comprehensive centralized governance model, which ensures efficiency, connectedness, and responsiveness on all corporate levels, did not undergo any changes in the past year. The model, which cannot be compared to traditional organizational structures, has proved very successful even in the year of rapid economic changes. It was first introduced in 2006, when a stake in the Company then called Istrabenz-Gorenje, trgovanje in prodaja električne energije, d.o.o. was acquired by the new shareholder GEN energija, d.o.o.

As set out in the memorandum of association from 2006, shareholders Istrabenz-Gorenje energetske sistemi, energetske storitve, d.o.o. and GEN energija, d.o.o. both own an equal 50% stake in the Company. In line with the joint control principle, the two shareholders manage and control the Company using an organizational structure based on two bodies: the Company's management (management board) and the general meeting of shareholders.

A separate supervisory body in the form of a supervisory board does not exist. The supervisory function in the single-tier system is performed within the four-member management board, where the president and vice president of the management board mainly supervise the Company's operations, while the two members of the management board responsible for electricity sales and trading perform an executive function.

The organizational concept used by subsidiaries follows this governance model. Subsidiaries are founded as single-member limited liability companies and are fully owned by their founder and only shareholder GEN-I, d.o.o. They all function based on the same standard governance and supervisory concept. All subsidiaries

are currently involved in trading activities within their own national markets as part of a larger, centrally organized international portfolio of the GEN-I Group. It is because of this centrally managed trading activity that the governance of subsidiaries is performed by a single person who acts as the executive manager of all subsidiaries. The direct supervisory function for all subsidiaries of the GEN-I Group is performed by the four-member management board of GEN-I, d.o.o., which is also the founder and sole owner of the subsidiaries. In line with the memorandums of association of individual companies, the management board performs the role of the general meeting of shareholders of individual subsidiaries within the GEN-I Group.

Management board: members

Robert Golob, PhD

President of the Management Board

Martin Novšak MBA

Vice President of the Management Board

Igor Koprivnikar, PhD

Member of the Management Board responsible for Electricity Trading

Dejan Paravan, PhD

Member of the Management Board responsible for Electricity Sales

The management board's current five-year term began in 2006. All members of the management board are experts in the field of energy.



ROBERT GOLOB, PhD

completed his undergraduate education at the Faculty of Electrical Engineering in 1989. He obtained his master's degree three years later and his doctoral degree in 1994. In 1998, he was appointed head of the negotiation team working on the EU's energy policy. From 1999 to 2002, he was state secretary for energy matters and helped draft several important energy acts. He has authored numerous publications and papers on markets, optimization of energy sources, and electricity system planning. He has also managed several basic research and industry-applicable projects for the Slovenian energy sector. In November 2002, he founded and became general manager of the company Istrabenz energetske sistemi, which was later transformed into Istrabenz Gorenje Group. He is an associate professor at the Faculty of Electrical Engineering at the University of Ljubljana and president of the management board at GEN-I, d.o.o.



IGOR KOPRIVNIKAR, PhD

graduated from the Faculty of Natural Sciences of the Technical University of Graz, Austria, in 1999 and holds a doctorate in nuclear physics from the Institute for Theoretical Physics of the Technical University of Graz. Since completing his studies, he has cooperated with a number of scientific institutes around the world. From 2002 to 2004, he worked on the development of the Austrian Energy Exchange EXAA. He started working for Istrabenz-Gorenje, d.o.o. (later GEN-I) as soon as it was founded in 2004. He laid the foundations of the business model for international and cross-border electricity trading that is still used today across the GEN-I Group. From 2004 to 2005, he was a member of the management board at Austrian Power Vertriebs GmbH in Vienna. As a member of GEN-I, d.o.o.'s management board responsible for trading, he is in charge of implementing business strategies in the electricity trading segment in Slovenia and abroad in line with the Group's expansion, and is also responsible for finance and accounting. His other duties include operational management of GEN-I's subsidiaries and the trading-oriented organizational unit in Ljubljana.



MARTIN NOVŠAK, MBA,

a long-time leading professional at the Krško Nuclear Power Plant and general manager of GEN energija, completed his undergraduate studies in 1982 at the Technical Faculty of the University of Maribor with a major in electrical engineering and industrial electronics. In 1992 he completed an MBA program at the Executive Management Development Center in Brdo. He started working at the Krško Nuclear Power Plant immediately after completing his studies, where some of his duties involved overseeing the organization of engineering services. In close collaboration with his colleagues, he completed several important projects, including the modernization of the plant, replacement of critical equipment, the creation of a consistent company image, and a number of other improvements, modifications, and organizational upgrades. In July 2005, he accepted a five-year term as general manager of GEN energija, d.o.o. In 2006, he also started his five-year term as vice president of the management board of GEN-I, d.o.o.



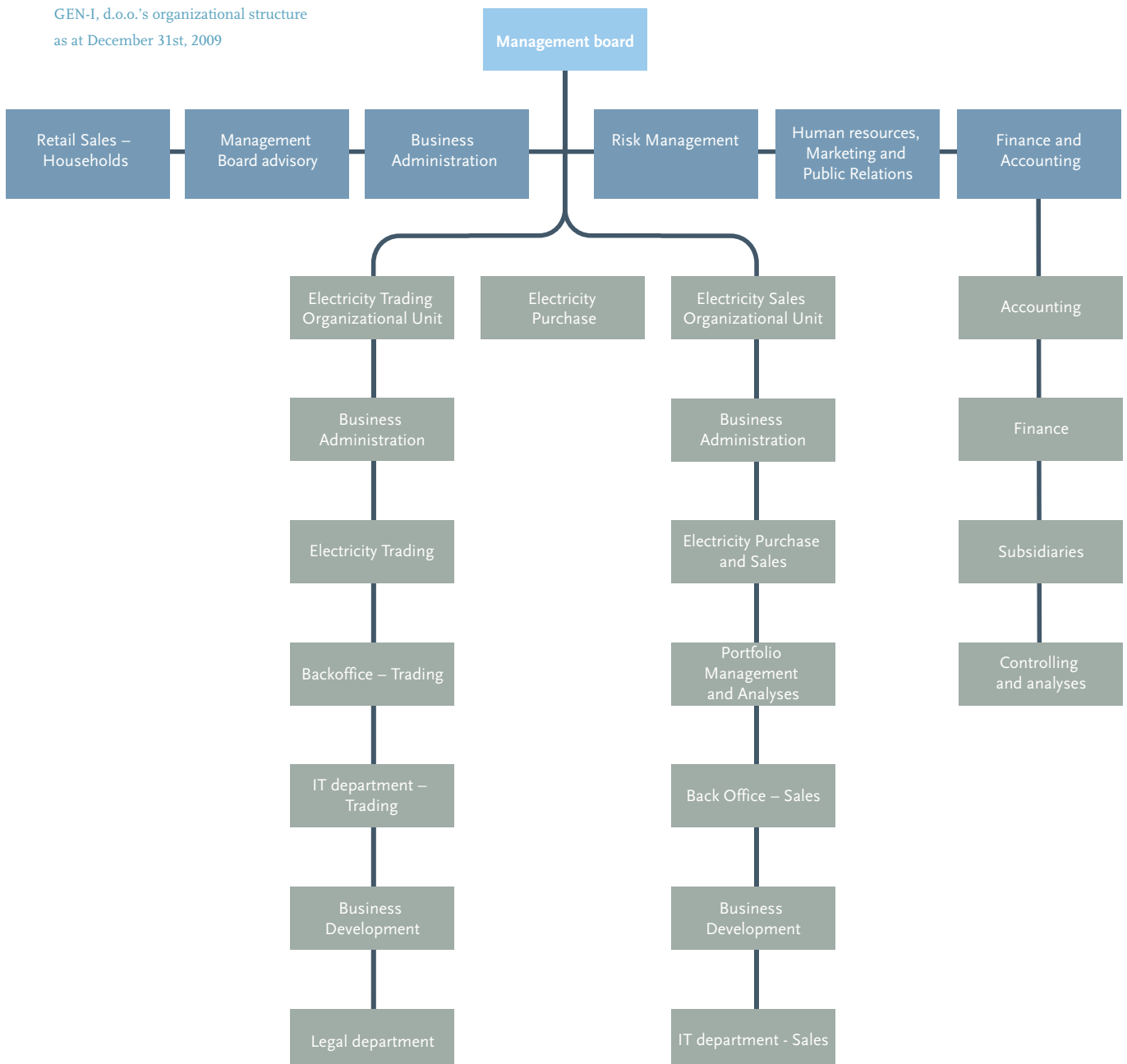
DEJAN PARAVAN, PhD

began his career in 1999 as a researcher at the Faculty of Electrical Engineering at the University of Ljubljana, where he earned his doctoral degree in 2004 with a dissertation on risk management in the electricity market. After receiving his doctoral degree, Paravan was employed by Istrabenz energetske sistemi, d.o.o., where he performed functions at various companies of the Group with a focus on developing the electricity sales to end-customers. He served as the general manager of IG Prodaja, d.o.o. from its incorporation onwards. His work involved setting up and developing the infrastructure necessary for selling electricity to end-customers in Slovenia. He was also a member of the management board at Austrian Power Vertriebs GmbH in Vienna and the manager of Istrabenz-Gorenje, d.o.o. When GEN-I was transformed in 2006, he was appointed the member of the management board responsible for electricity sales, purchase of electricity from producers who use renewable sources, purchase of electricity from cogeneration plants, and development and management of GEN-I's organizational unit in Nova Gorica.

Organizational structure: for the optimal implementation of strategies

The Company's organizational structure is adjusted to its advanced business model. The basic activities are supported by general services that report directly to the Company's management board, while the various organizational units include professional services specialized in the main activity of the individual unit. Where these services relate to more than one area of specialization, they are further divided into departments. Such an organizational structure fully supports the optimized implementation of business strategies.

GEN-I, d.o.o.'s organizational structure
as at December 31st, 2009



II.3 Analysis of operations

SHARPLY REDUCED ELECTRICITY PRICES, LOWER MARGINS, AND HIGHER TRANSACTION COSTS WERE CHARACTERISTICS OF THE 2009 BUSINESS YEAR. THE FALLING PRICES AND RISING COSTS WERE THE CONSEQUENCE OF THE GLOBAL ECONOMIC CRISIS AND THE LOWER PRICES OF OTHER ENERGY SOURCES. GROWTH IS NOT EXPECTED TO RETURN IN 2010. GEN-I, D.O.O. AND THE GEN-I GROUP HAVE BEEN DIRECTING THEIR DEVELOPMENT ACTIVITIES TO THE MARKETS OF SOUTH AND SOUTHEAST EUROPE. HOWEVER, AS ELECTRICITY MARKETS CONTINUE TO BE DEREGULATED, COMPETITION GROWS STRONGER IN THESE REGIONS AS WELL.

Business environment: the recession and energy prices

The global economic crisis that characterized the 2009 business year and the resulting decline in economic activity had a major impact on the electricity market. Lower prices of raw materials and lower consumption, which followed the drop in industrial production, caused a significant decline in electricity prices. Although the second half of 2009 brought the first signs of economic recovery, the levels of industrial production are still far from their pre-crisis values. The decline in industrial production was much more pronounced in export-oriented Southeast European countries than in developed countries of Western Europe. Total industrial production in EU-27 countries dropped by more than 20% compared to its highest levels, growing at a rate of about 5% in the second half of the year. Reduced industrial production accompanied by lower electricity consumption had a significant effect on the price of electricity and other energy sources.

Two particularly important factors when analyzing electricity price changes are the prices of crude oil and natural gas. Because the price of oil is indicative of other raw material prices, it also affects the price of electricity. Another important factor is the price of natural gas, which is used to produce electricity at peak hours when consumption levels are highest. The two most relevant prices for the European region are the prices of North Sea Brent crude oil and natural gas in the United Kingdom (due to higher liquidity).

In recent years, changes in the prices of oil and gas have been relatively coordinated, but 2009 saw considerable differences in their movement. In 2009, the price of a barrel of North Sea Brent crude oil was far more volatile than that of natural gas. The growth of producer oil prices no longer tracked the growth rate of consumption, which continued to rise on developing markets despite the recession. Oil prices, which reached an extremely high level of EUR 90 per barrel in 2008 due to speculation, dropped to only EUR 30 per barrel. The reaction from the markets showed that both extremes were excessive. At the beginning of 2009, oil prices started to rise again and finally stabilized at about EUR 50 per barrel.



Changes in the price of North Sea Brent crude oil in 2009



Changes in the price of natural gas in the United Kingdom in 2009

The price of natural gas, which is used for electricity production at peak hours, was more closely linked to changes in industrial production. It declined at the beginning of 2009 and then started to gradually rise again. In addition to production activity, the price of natural gas as an energy source for heating is greatly dependent on temperature levels. It usually rises in winter months, which is one of the reasons why the price of natural gas started rising later than the price of oil. Because of its comparatively lower price, natural gas was used to produce electricity outside peak hours as well – even when electricity prices were lower. This is why electricity prices in 2009 correlated more strongly to natural gas prices than to those of other energy sources.

Changes in electricity prices: the effects of the recession and seasonal fluctuations

The best indicator of electricity prices on the Slovenian market and some other markets in the region are the prices of electricity in Germany, which correlate strongly to those in Slovenia. The average monthly price of electricity is also affected by seasonal factors, including weather conditions, such as temperature and hydrologic conditions. At the beginning of the year, the average monthly price of electricity was still declining sharply as a result of the drop in industrial production. Later on, the price fluctuations ceased and the price of electricity reflected the usual seasonal changes. Prices in November and December were lower in part due to temperatures, which were higher than usual at that time of the year, while huge quantities of water from heavy rainfalls also contributed to lower average prices. More water meant that more electricity was produced by hydroelectric power plants, where electricity production is cheaper. As a result, the average monthly price of elec-

tricity on the German market calculated based on hourly products amounted to EUR 38.85 per MWh, which is considerably lower than in 2008, when the same price averaged EUR 70.96 per MWh.

A more detailed picture of the effects of the recession on electricity prices in 2009 is revealed by the changes in the value of futures contracts for base load electricity in 2010. Their value plummeted at the beginning of the year but then recovered quickly due to the first signs of an end to the recession and the optimistic expectations for a quick economic recovery. When it became clear that the recovery would not be as quick as expected, values started declining again and almost reached the levels from the first major fall. The declining trend of electricity prices for deliveries in 2010 and the subsequent periods continued into the early part of the new calendar year.

Slovenia: southeast markets in response to the narrowing of margins

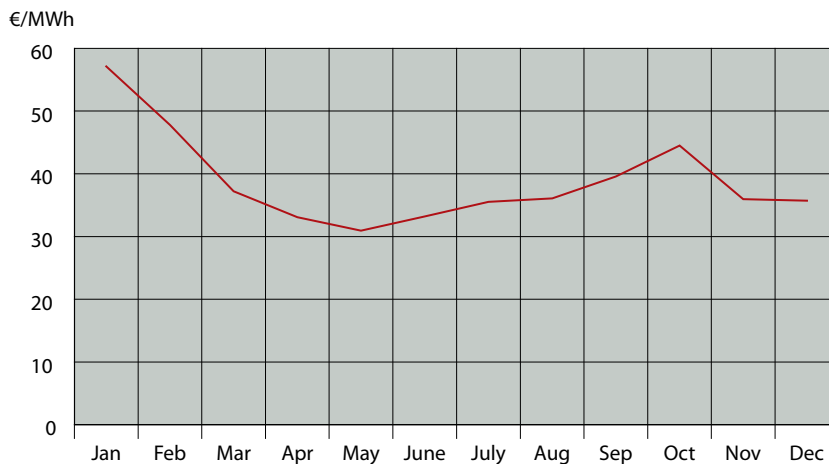
The declining electricity prices in 2009 brought a narrowing of trade margins. Growth opportunities were available mainly on developing markets, but their gradual development and increased transparency meant that pressures on margins were mounting. In 2009, standardized electricity product trading was introduced in Serbia, increasing the transparency of the market and bringing the country closer to the conditions now present on the Hungarian and Romanian markets.

In the past, seasonal fluctuations and differences in electricity consumption caused considerable differences between the price of electricity in Germany and in Southeast Europe. In 2009, these differences were less pronounced owing to good hydrologic conditions

and a decline in industrial production. In Slovenia, the parent company's domestic market, there was a significant drop in industrial production as well. As a result, electricity consumption in 2009 declined by 12.4% compared to the previous year according to ELES' figures, making Slovenia a net electricity exporter for the better part of the year. The average price of electricity in Slovenia was generally higher than the prices on the German market – on average about EUR 1 per MWh above them. Prices in Southeast European countries where subsidiaries of the GEN-I Group operate followed the movement of the German prices. In the past, prices in this region were generally slightly higher than prices on the German

market. In 2009, average electricity prices in Southeast Europe were somewhat lower than on the German market, due to the greater decline in industrial production and the resulting bigger drop in energy consumption, but also due to very good hydrologic conditions. Prices on the Slovenian market are expected to correlate more strongly to the prices in Germany because of an increase in the volume of available cross-border transfer capacities between Slovenia and Austria. According to our estimates, electricity prices in Slovenia will remain very close to the average prices on the Germany-based Energy Exchange EEX.

¹ According to the data published on ELES's website (<http://www.eles.si/prevzem-in-proizvodnja.aspx>), electricity consumption in 2009 was 11.1 TWh compared to 12.7 TWh in 2008.



Changes in the average monthly price of electricity on the German market in 2009



Changes in the price of futures contracts for electricity deliveries in 2010 at the European Energy Exchange in Germany (EEX) in 2009

II.4 Scope of operations by activity

SUCCESSFUL PURCHASE, SUBSTANTIAL INCREASE OF SALES AND TRADING VOLUME ARE PROOFS OF SUCCESSFUL OPERATIONS IN 2009.

Purchase: a transparent and efficient model for purchases from Slovenian producers

In 2009, the electricity GEN-I, d.o.o. purchased from producers and supplied to end-customers in Slovenia amounted to 2.1 TWh. The Company also maintained its leading position in purchases of electricity from renewable sources and high-efficiency cogeneration plants.

GEN-I, d.o.o. purchased a total of 2.1 TWh of electricity in 2009 for end-customers in Slovenia. Of that amount, 1.7 TWh were sold directly to Slovenian end-customers and 0.4 TWh through indirect sales. These quantities do not include sales to trading companies that operate on the Slovenian wholesale electricity market. The electricity sold in Slovenia was purchased from Slovenian producers – the shareholder GEN energija, d.o.o., producers who generate electricity from renewable sources and high-efficiency cogeneration plants, and the Ljubljana cogeneration plant TE-TOL.

Electricity producers within the GEN balance subgroup, including the Krško Nuclear Power Plant, the Sava Electric Power Plants in Ljubljana, and the Brestanica Coal-fired Power Plant, produced a total of 3,089.8 GWh of electricity. This quantity also includes the share of electricity purchased from the Hydroelectric Power Plants on the Lower Sava River, which amounted to 66% of the available quantities or 2,059 GWh. The electricity purchased within the GEN subgroup represents 25.2% of the entire quantity of electricity purchased by the GEN-I Group. Long-term contracts accounted for 91.7% of all purchases from the GEN subgroup, daily trading for 6.6% of all contracts, and intra-day trading for 1.7% of contracts.

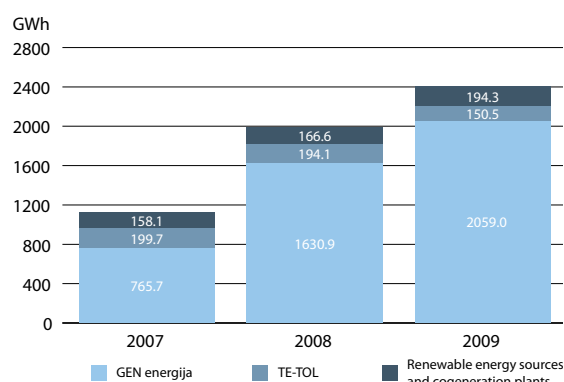
GEN-I, d.o.o. also supplied electricity to its shareholder GEN energija, d.o.o. In order to keep the schedules for long-term contracts in balance with the daily flow rates of the Sava River, GEN energija purchased 49.8 GWh of electricity from GEN-I, d.o.o. in 2009, or 2.4% of the Company's total sales.

In 2009, GEN-I, d.o.o. maintained its leading position in the purchase of electricity from Slovenian producers who use renewable energy sources and high-efficiency

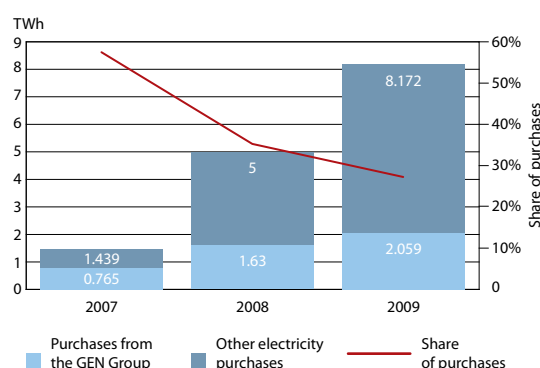
cogeneration plants. Purchases from these sources increased by 16.5% compared to the previous year. Renewable energy was obtained from several high-efficiency cogeneration plants, 35 small hydroelectric power plants, 7 solar plants, and 7 biogas plants.

GEN-I, d.o.o. remained the leading buyer of energy from renewable sources and cogeneration plants due to its flexibility, expertise, and services, in particular with regard to tailored products that enable producers to better manage price and quantity risks.

In addition to the electricity from shareholder GEN energija, renewable sources, and high-efficiency cogeneration plants, GEN-I purchased 150.5 GWh of electricity from the Ljubljana cogeneration plant TE-TOL.

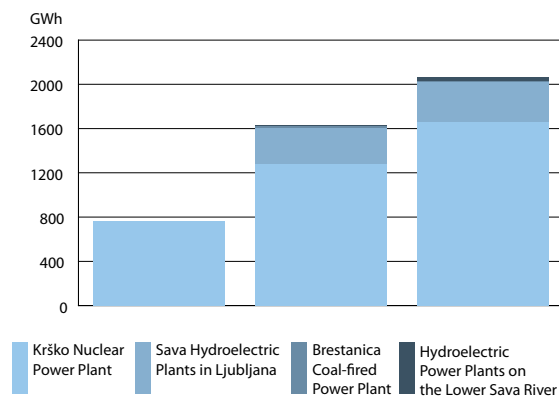


Electricity purchased directly from Slovenian producers in 2007–2009

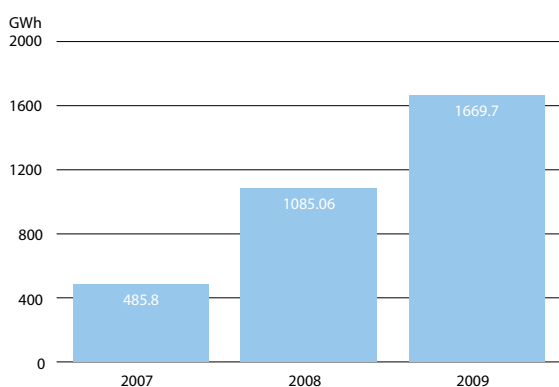


Quantities and shares of electricity purchased from GEN energija as a proportion of total purchases by the GEN-I Group

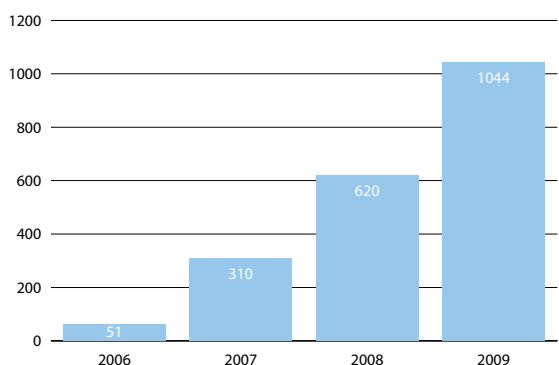
Share and quantities of electricity purchased from power plants in the GEN balance subgroup



Growth in sales to business customers in Slovenia



Growth in the number of GEN-I d.o.o.'s business customers



Sales: increased quantities and new customers

In 2009, GEN-I, d.o.o. increased the quantity of electricity sold directly to Slovenian customers by more than 42%, despite the total consumption in Slovenia declining by 12.4% compared to a year earlier due to the recession.

GEN-I, d.o.o. sold 1.1 TWh of electricity to Slovenian customers in 2008 and increased the sold quantities to 1.6 TWh in 2009. Due to a considerable slowdown in economic growth, consumption in the business customer segment declined compared to the previous years and showed no signs of recovery until the end of 2009. Despite the harsh conditions, the Company was able to extend its portfolio significantly by improving the procedures used for attracting new and managing existing customers.

We gained the trust of our business partners with our individual approach, which resulted in growing demand for consulting services. Customers expressed particular interest in new advanced and customized products. Our active approach to managing purchasing activities helped customers obtain the most competitive purchase prices.

In 2009, we saw the end of a period of long-term contracts, during which most business customers were bound by three-year electricity purchase agreements. As a result, 2009 was a very intense year with regard to establishing relations with new customers, promoting the products and services of GEN-I, and forming new lasting partnerships. The sales activities carried out in 2009 will guarantee success in the next business year as well, as the Company expects to sell a significantly higher volume of electricity to end-customers.

Affordable electricity: a fresh breeze on the electricity market

In 2009, GEN-I, d.o.o. strengthened its position in the household and small business customer segment considerably as a result of its innovative product offer and the Affordable Electricity (Poceni elektrika) brand. Despite a highly rigid standardization of products, a competent call center enabled the Company to maintain its individual approach in this customer segment as well.

The Affordable Electricity brand was first introduced by GEN-I, d.o.o. in March 2009 and is aimed at households and small business customers in Slovenia. During the first three months, almost 6,000 customers opted for it. GEN-I offered them the lowest electricity prices and a simple procedure for switching to a new

electricity supplier. Although customers were free to choose their electricity supplier as early as 2007², very few did. In 2008, only 591 customers switched to a different supplier. Most of these were customers with annual consumptions ranging from 50 MWh to 2 GWh, while households represented a negligible share³.

On account of its innovative operating standards, the lowest prices, simple procedures for changing electricity suppliers, and efficient communication, GEN-I, d.o.o. managed to attract 8,282 new customers in the household customer segment in 2009.

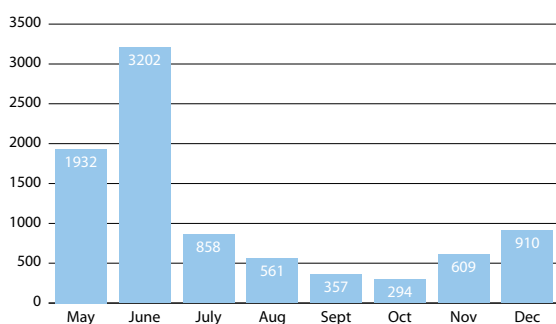
Before introducing the Affordable Electricity brand, GEN-I, d.o.o. had already developed a special household customers unit. Using advanced tools, the Company was able to react to market changes at the most appropriate moment. Taking advantage of the favorable conditions when prices on the global markets reached some of their lowest levels, the Company purchased the majority of the electricity it needed for this customer segment until the end of 2010.

Trading: assertive approach to foreign markets

The quantities of electricity sold by the GEN-I Group grew by 64% in 2009 compared to a year earlier. A total of 8,172 GWh of electricity was sold within the Group, of which 2,246 GWh were sold in Slovenia and the remaining 5,926 GWh in the 14 foreign markets where the Group operates. Despite the recession, the GEN-I Group achieved the best business results in the electricity trading segment in its entire history.

Good preparation and immediate response to the changes in market conditions enabled the Group to increase its sales abroad by 140%. The basic guidelines

Number of new customers who chose the Affordable Electricity brand



² Slovenia committed to a gradual liberalization of the electricity market in line with EU legislation; after a gradual market deregulation, all 905,354 consumers were able to choose their electricity supplier as of July 2007.

³ The source of the data on supplier changes is the Report on the Energy Sector in Slovenia for 2008 issued by the Energy Agency of the Republic of Slovenia.

for the Group's portfolio which were laid down in 2008 were optimally applied in the past business year.

The most intense trading activities in terms of quantities sold were carried out on the German, Austrian, and Hungarian markets, where the GEN-I Group sold a total of 3,657 GWh. The quantities sold in Italy and other Southeast European markets also increased significantly in 2009, particularly in Greece where sold quantities totaled 516 GWh. One of the reasons for better sales results in Greece and the region in general was the electricity trading license that the Group obtained in Albania. It enabled the Group to acquire cross-border capacities from the Albanian transmission system operator, which further increased the volume of transit into Greece. The remaining quantities were sold by GEN-I Group members in other Southeast markets, primarily in Serbia, Macedonia, and Albania.

In 2009, the GEN-I Group also acquired a total of 12 TWh of cross-border transfer capacities for borders between the 15 European markets on which it operates. Cross-border transfer capacities were obtained using market mechanisms such as auctions organized by transmission system operators on individual markets. These capacities are the necessary basis for accessing cheaper electricity on the purchase side and higher-priced markets on the sales side. By acquiring cross-border capacities, the Group was able to increase the flow capacities between the various countries and to ensure the implementation of its global electricity trading strategy.

A presence on all potential purchasing markets is of strategic importance to the GEN-I Group. Optimal trading conditions and the stability of revenues can only be ensured through simultaneous operations on several different markets, as their competitiveness is constantly changing. The relative competitiveness of individual purchasing markets changes depending on electricity production prices, which in turn depend on the availability of production sources and their structure.

The Group's presence in Germany and Hungary provides access to more liquid electricity markets, where open positions resulting from contracts negotiated on various European markets, primarily in Southeast Europe, can be adequately hedged. In addition to increased trading quantities, the Group also significantly increased the volume of operations involving derivative financial instruments (by more than 100% on the purchasing side and by more than 200% on the sales side compared to 2008) in order to manage market risks more efficiently and ensure price stability of the portfolio in 2009. For this purpose, it used mainly standardized financial products of the German EEX Energy Exchange

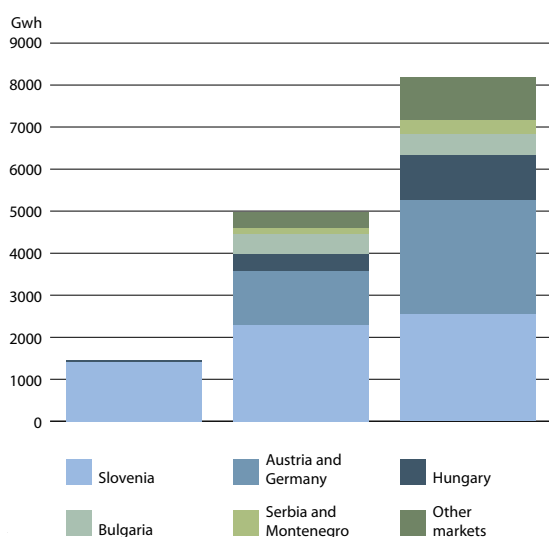
and signed bilateral financial contracts with a growing number of partners. In addition to hedging against price changes, the Group was also present on foreign currency markets to ensure adequate hedging against currency fluctuations.

The most important sources of electricity on the less liquid Southeast European markets were Bulgaria, Bosnia and Herzegovina, and Serbia. Slightly lower quantities of electricity were purchased in Romania, where the competitiveness of prices was reduced by high export costs. Such costs or duties that protect domestic electricity consumption have a restrictive effect on purchases on other export markets in Southeast Europe, in particular Bulgaria and Bosnia and Herzegovina, as they hinder the development of trading on liberalized electricity markets.

Access to markets with more competitive prices is even more important in times when trade margins on the wholesale market are narrowing. This is because margins depend on electricity prices, which fell sharply in 2009 due to the recession. The contraction in economic activity also caused fierce competition on the market, resulting in increased demands from customers with regard to contractual terms. As a result, demand was much more fragmented in 2009 compared to previous years. Customers demanded various benefits, the cost of which had to be borne by the seller, adding to the already increased risk management costs due to the growing uncertainty of the final consumption of contractual quantities.

Because of the activities carried out in 2009 and the consistent use of guidelines and risk management mechanisms, the GEN-I Group will continue to strengthen its role as a reliable and competitive partner on markets where its subsidiaries operate, and will continue to expand to new markets. On foreign markets, the Group will continue to develop products tailored to the needs of its customers and enhance its retail product offer.

Quantities purchased within the GEN-I Group by year, 2007–2009



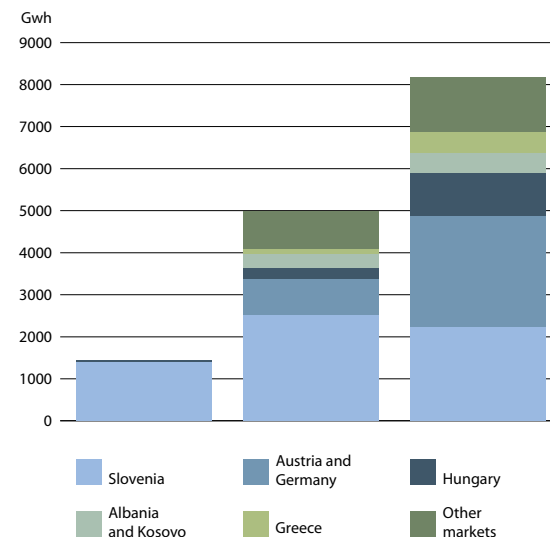
MARKET	2007	2008	2009
Slovenia	1,407.63	2,285.61	2,566.39
Italy		62.67	269.71
Austria and Germany		1,293.39	2,711.62
Hungary	32.32	414.45	1,074.40
Albania and Kosovo		0.11	24.71
Bulgaria		469.83	479.43
Greece		0.00	99.73
Macedonia		4.02	59.79
Serbia and Montenegro		147.71	335.31
Romania		175.28	190.69
Bosnia and Herzegovina		34.84	325.50
Croatia		97.47	34.96

Electricity purchases in Slovenia and abroad in MWh, 2007–2009

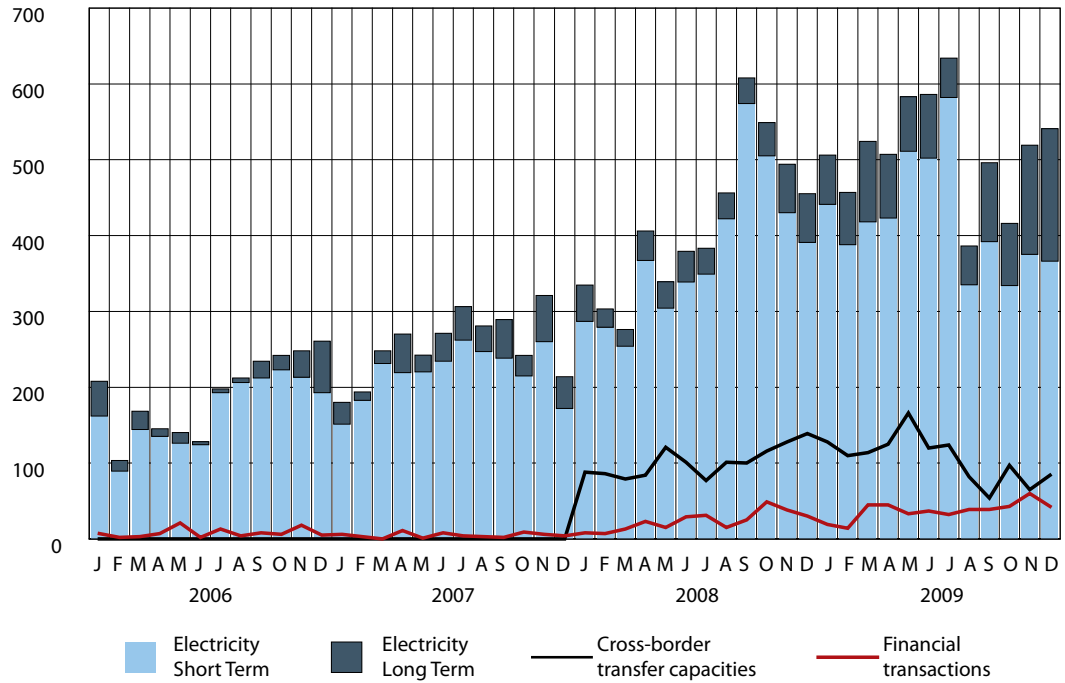
MARKET	2007	2008	2009
Slovenia	1,407.63	2,525.43	2,246.44
Italy		377.51	411.13
Austria and Germany		851.26	2,628.10
Hungary	32.32	270.09	1,029.09
Albania and Kosovo		337.38	466.05
Bulgaria		0.00	280.26
Greece		104.88	516.66
Macedonia		256.87	174.36
Serbia and Montenegro		163.80	343.43
Romania		3.34	21.42
Bosnia and Herzegovina		9.26	8.22
Croatia		78.75	47.10

Electricity sales in Slovenia and abroad in MWh, 2007–2009

Quantities sold within the GEN-I Group by year 2007–2009



Number of transactions at the Ljubljana organizational unit based on sales and purchases of electricity, cross-border transfer capacities, and financial transactions



II.5 Risk management

THE GEN-I GROUP EFFECTIVELY MANAGES VARIOUS BUSINESS RISKS BASED ON THOROUGH AND ONGOING ANALYSES, USE OF HEDGE INSTRUMENTS, AND CONSISTENT APPLICATION OF RULES AND GUIDELINES.

Risk management activities within the Group are centrally coordinated and linked to the daily monitoring of market changes. The timely and adequate response and the expertise of the risk management team, supported by analysts from other departments, help contribute to the long-term stability of the Group's portfolio and its operations.

Risks are also mitigated through a clear and well-defined segregation of duties and responsibilities, which are carefully allocated to the Group's specialized units. Each unit is responsible for a specific part of the process. The logical rules built into the IT system and precise control methods ensure constant monitoring of all key segments of the Group's operation.

Financial risks: managing liquidity and credit risks

For the GEN-I Group, the most important risks associated with heterogeneous forms of financing are liquidity and credit risks, which result from the Group's exposure to its counterparties and customers. The Group uses established rules and guidelines to assess risk levels, and contractual obligations are secured using different financial and legal instruments.

Liquidity risks are associated with ensuring the solvency of the Group and its companies. When managing liquidity, the Group's main goal is to ensure the solvency of all its members and their ability to settle their obligations on time. An effective system used for centralized monitoring and forecasting of cash flows helps the Group keep the costs associated with the financing of constant liquidity to a minimum.

In order to mitigate liquidity risks, the finance department monitors and plans short-term solvency on a daily basis, maintaining it by constantly coordinating and planning future cash flows. Short-term surpluses and shortages of cash are monitored and optimized at the individual company and Group levels. A liquidity reserve in the form of credit lines approved by commercial banks, diversification of financial liabilities, constant matching of maturity periods for liabilities and receivables from standardized agreements with partners, and consistent collection of receivables ensure successful cash-flow management, thereby increasing the Com-

pany's and the Group's purchasing power. In this way, the liquidity risks associated with ensuring the solvency of the Company and the GEN-I Group are always effectively controlled and remain within acceptable limits.

Credit risks mainly refer to the financial loss for the Company if an individual business partner failed to fulfill its contractual payment obligations on time. The management of these risks is important for ensuring better liquidity and balance of financial inflows and outflows. GEN-I, d.o.o. and the GEN-I Group manage credit risks according to the characteristics of individual partners and their solvency, paying particular attention to any breaches of contractual obligations assumed by business partners.

With the help of the Company's other units and in line with the agreed procedure, the risk management unit carries out regular analyses of the creditworthiness of individual trading partners and large customers in the electricity sales segment, using external credit rating assessments if necessary. This professional risk assessment report serves as the basis for future cooperation. The Group also defines the appropriate credit lines and risk exposure limits for each partner. The product offer, payment and delivery conditions, as well as any requests for collateral, are then adjusted to the assessed level of risk. The terms of cooperation defined in this process are consistently applied throughout negotiations and the execution of contracts.

Contractual obligations arising from negotiated transactions are hedged using appropriate financial and legal instruments. GEN-I, d.o.o. and the GEN-I Group generally use only first-rate collateral instruments to secure its receivables, ensuring the payment of overdue contractual obligations in cases when business partners fail to fulfill them. In wholesale electricity trading, where receivables are even more difficult to collect because of the international nature of the activity, the company mainly uses bank guarantees. They are commonly used by GEN-I, d.o.o. and the GEN-I Group as collateral in long-term general agreements and individual short-term agreements with maturity periods exceeding one month.

Another relatively safe form of collateral used in international electricity trading are parent company guarantees. If a business partner fails to comply with its contractual obligations, their fulfillment is taken on by the parent company,

which usually has more capital at its disposal. The use of this form of collateral depends on the assessed credit rating of the issuer.

On the domestic electricity sales market, bills of exchange are also used as collateral for business partners with lower assessed risk levels. As part of an individual approach to business partners, more innovative material/legal forms of collateral, which are less common in the electricity market, are sometimes used.

Credit risks at GEN-I, d.o.o. and the GEN-I Group are effectively managed through consistent application of company bylaws and procedures for identifying risks and assessing exposure to them, determining the permissible limits of risk exposure, and constant monitoring of the Company's exposure to risks in its dealings with individual business partners, mainly in terms of current market exposure and unpaid liabilities. As part of this process, a clearly defined procedure was identified for collecting debt, sending out overdue payment reminders, and monitoring customers. The IT system used for electricity sales includes a feature that enables the Company to daily import data on blocked bank accounts and changes to companies as recorded in public records into the CRM system, ensuring that the latest data on business partners is always available to the Company.

Market risks: managing open positions in portfolios

The risks associated with changes in the market conditions that are most relevant to the GEN-I Group include price, currency, and interest-rate risks, while quantity and quantity-liquidity risks are also very common and specific. The Group manages these risks by using a comprehensive system to constantly monitor and analyze open positions.

For companies within the GEN-I Group, market risks are mainly associated with losses that could arise from fluctuations in the price of energy and cross-border transfer capacities, or changes in interest rates and foreign currencies. When a company takes on liabilities from open contracts, quantity risk can multiply effects of price risk. Open positions are most exposed to risk, i.e. the quantities and values defined as the difference between the aggregate quantity of purchases and the aggregate quantity of sales in a given period. This is why the effective management of such risks requires closing of open positions on an ongoing basis, which is achieved through ordinary physical trading and inclusion of financial trading tools.

Price risks can cause financial losses as a result of changing prices. In 2009, lower electricity consumption was

accompanied by a sharp drop in prices, followed by occasional strong price fluctuations. Throughout the year, the GEN-I Group consistently applied portfolio hedging measures, immediately physically closing any open positions and hedging positions on the financial market where the Group uses physical and derivative financial instruments from the European Energy Exchange EEX in Germany.

Market depth risks are associated with price risks and arise when open positions cannot be closed due to a liquidity imbalance on a specific market. The GEN-I Group manages these risks by operating on the regional market and maintaining links to highly liquid markets. The Group's presence in many carefully selected markets enables it to create added value based on synergies between individual time and geographical components of the portfolio.

A key factor for success on the international market and the transfer of electricity between countries is the availability of cross-border transfer capacities. Therefore, the companies of the GEN-I Group regularly participate in public tenders and auctions for the allocation of transfer capacities. Because allocation procedures still vary greatly between markets, a thorough overview of the electricity flow situation in individual regions is necessary for successful participation in auctions. An extensive business infrastructure and expert knowledge of the specifics of individual markets and the region are therefore crucial for mitigating market depth risks.

Quantity risks from open contracts are dominant among market risks on the electricity market and are very specific. They occur because of the difference between the electricity quantities stated in contracts and the quantities that are actually delivered or accepted. Quantity risks are usually present in contracts with open quantities, i.e. contracts signed with customers and producers of electricity from renewable sources and cogeneration plants.

The GEN-I Group manages these risks by providing comprehensive information support for long- and short-term forecasts of electricity delivery and consumption profiles, and by consistently monitoring quantity deviations at the majority of metering points included in the GEN-I balance group. The management of quantity risks is based on advanced algorithms and a methodology which, together with the latest IT tools adjusted to specific trading needs, form a comprehensive risk-management system. The expertise of the risk management team and the portfolio management and sales analysis unit is also of great importance. Good and regular communication between the Company and its partners (customers) is crucial and ensures early detection of any changes in consumption volumes.

Currency risks arise in connection with international transactions. They are constantly monitored and managed by the

GEN-I Group using the appropriate hedging instruments. On markets outside the euro area, the Group primarily uses currency hedging mechanisms, including futures contracts and currency clauses. These mechanisms prevent a more noticeable effect of risk management costs on the margins the Group is able to achieve through its regular activities.

The GEN-I Group is exposed to currency risks on both the purchase and sale sides, in particular when evaluating trading and sales transactions, cross-border transfer capacities, loans, and share capital held in foreign subsidiaries. Currency risks are generally associated with business events expressed in currencies that are different from the Company's functional currency. The most important foreign currencies in terms of the volume of operations are the Serbian dinar (RSD), the Hungarian forint (HUF), the Croatian kuna (HRK), and (since 2009) the Romanian leu (RON).

Interest-rate risks are mainly associated with the possibility of unexpected growth in the Group's financing costs, which vary depending on current variable interest rates on the market. Given the Group's current demand for external financing sources, its exposure to these risks is low.

All open positions in the GEN-I Group are within the parameters and limitations set out in the Group's risk management policy. They are constantly controlled and are included daily in the relevant general reports. Open positions for individual markets are evaluated based on hourly price curves generated by the Company using current prices of forward electricity products and historical hourly profiles for all future periods and for all markets on which the GEN-I Group operates. This kind of control provides the Group with a comprehensive and detailed daily overview of the value and significance of individual portfolios. For each day of trading, the Group also compiles a sensitivity analysis and an analysis of different scenarios in case of unexpected market changes. This enables the Group to monitor risks continuously and verify adequacy of the methodologies applied using carefully developed algorithms.

Operational risks: a comprehensive system of controls

Operational risks are associated with losses resulting from inappropriate or poorly executed internal processes, misconduct on part of the employees, and external events. They also include legal risks, IT risks, and regulatory risks, which arise due to changes in legislation, deficiency of legal provisions, or political decisions.

The GEN-I Group mitigates operational risks using a control system that requires all important transactions to be carried out according to the "four-eyes" principle. These risks are further mitigated through clearly defined processes, roles, responsibilities, and authority, as well as codes

of conduct and internal rules. Continuous investment in IT infrastructure upgrades is closely linked to automated controls used for individual business processes, which help reduce the possibility of human error and abuse. The highly professional approach, experience, motivation, and knowledge of the Group's employees represent the most important foundation for preventing and mitigating operational risks, enabling the Group to respond to changing conditions in a correct, timely, and flexible manner.

Human resources risks are particularly important for the GEN-I Group because of its fast growth and its expansion to new markets. To achieve business plans, employees must not only constantly build on their existing knowledge and learn new skills, but also demonstrate their ability to work in a team, a high level of flexibility, a dynamic approach to work, self-initiative, and excellent interpersonal and communication skills. The most important human resource risk is the loss of key employees. To minimize their exposure to this risk, GEN-I, d.o.o. and the GEN-I Group maintain a healthy organizational climate, which is regularly analyzed, provide constant professional growth, create stimulating working conditions, and maintain good communication with and among employees. The Company also ensures that work processes and internal skills are well documented, as they represent its most important competitive advantage.

Legal risks are associated with losses arising from violations or misinterpretation of laws, implementing acts, instructions, recommendations, contracts, best practices, and ethical norms. The GEN-I Group manages these risks by defining contractual provisions as clearly as possible. Companies within the GEN-I Group enter into contractual relations with wholesale partners based on standardized general agreements recommended by the European Federation of Energy Traders (EFET). These agreements address the issues of risk management in great detail, particularly in terms of receivables from electricity deliveries and damage compensation in cases where a partner's failure to fulfill contractual obligations requires the use of alternative transactions. GEN-I enforces a similar level of contractual provisions in electricity sale agreements.

IT risks are associated with losses arising from inappropriate information technology or inadequate processing, with a particular emphasis on the issues of scalability, access, integrity, control, and continuity. Business processes at GEN-I, d.o.o. and within the GEN-I Group are fully supported by information technology, enabling the Company and the Group to effectively perform and manage their day-to-day operations. All IT systems are constantly monitored, both within the companies themselves and in cooperation with equipment manufacturers and qualified external maintenance companies that ensure the immediate repair of any errors or malfunctions.

Description of selected risks

ID	RISK FACTOR	RESULT OF UNMANAGED RISK	PROPOSED MEASUREMENT METHOD
F1	Risk of non-payment by end-customers	Financial damage	Monitoring overdue receivables
F2	Risk of non-payment by wholesale trading partners	Financial damage	Monitoring credit exposure
F3	Insufficient financial means	Financial damage	Monitoring cash flows
M4	Termination of the agreement with GEN energija, d.o.o.	Reduced economic benefit	
M5	Significant (sudden) change in energy prices	Financial damage	Sensitivity and simulation analysis ("stress test")
M6	Significant changes in foreign currency	Financial damage	Monitoring open positions expressed in foreign currencies; monitoring changes in foreign currencies
M7	Significant interest-rate changes	Financial damage	Measuring debt financing
M8	Significant change in guarantee fees	Financial damage	Monitoring the amounts of guarantees issued
M9	Risk of consumption quantities in open contracts	Financial damage	Analyzing actual consumption based on expected changes
M10	Risk of production quantities	Loss of economic benefits	Analyzing production factors
M11	Changed market depth due to changes in market conditions	Inability to close positions and thus possible financial damage	In-depth and qualitative analyses; forecasting market conditions
O12	Changes in legislation and legal provisions	Inadequate response (negative effect on operations); loss of economic benefits; inability to collect receivables	Qualitative monitoring and evaluation of market conditions
O13	Risk of a different interpretation of laws and provisions associated with trading	Inadequate response (negative effect on operations); loss of economic benefits	
O14	Failure of IT equipment and connections	Suspension of operations; loss of data; financial damage	Equipment diagnostics
O15	Process errors	Loss of reputation; financial damage	Monitoring the execution of processes; quantitative records of error statistics
O16	Abuse of authority	Economic damages; loss of reputation	
O17	Loss of key employees	Loss of expertise; allocation of workload to other employees	Measuring organizational climate
O18	Theft of equipment	Suspension of operations; loss of data; financial damage	
O19	Wrong consumptions measurement data	Financial damage; dissatisfied customers; complaints	
O20	Errors when importing measurement data	Financial damage; dissatisfied customers; complaints	

* The risk management team is responsible for managing all types of risks; the departments shown on the list provide support for the team in case of specific risks.

RISK MANAGEMENT MEASURES	RESPONSIBILITY/ SUPPORT*	FREQUENCY
Effective monitoring of maturity periods; end-customer diversification; precise payment reminders and debt collection procedures	Back Office – sales	Weekly
Strict compliance with agreed limits of credit exposure for partners; collateral; etc.	Finance Department (monitoring); Trading Department (managing)	Daily
Effective cash flow management	Finance Department	Daily
Contractual penalties; monitoring and limiting exposure to this partner	Management Board	
Daily analysis of sensitivity and active portfolio management	Portfolio Controlling Department within the Trading Department; Portfolio Management and Analyses Department	Daily
Hedging of open positions	Trading Department	Daily
Due to the low debt financing ratio, the exposure to this risk is low	Finance Department	Quarterly
Maintaining good relationships with several bank groups	Finance Department	Quarterly
Qualitative analysis of consumption; transferring the contractual responsibility for deviations to customers; contractual penalties; presence on liquid markets	Portfolio Management and Analyses Department	Weekly
Qualitative analysis of production factors; presence on liquid markets	Planning and Analytical Department	Daily
Portfolio diversification; links to markets with higher liquidity (in quantitative terms)	Forecasting and Analytical Department	Daily
Presence on local markets; cooperation with established local law offices on all markets; regular monitoring of publications of documents regarding daily activities and reporting to competent authorities on the electricity market	Legal Department, Back Office	Quarterly
Active participation in the “creation” of best practices; constant training	Legal Department	As required
Regular maintenance; back-up copies of data; business continuity plan; outsourcing risk management to an external maintenance provider	IT Department	Daily
Detailed definition of processes and controls	Business Development Department	Weekly
A restrictive approach to delegating authority; double authorization principle (four eye principle)	Business Development Department	As required
Internal centrally managed knowledge base; effective human resource management; redundancy and substitute employees for key positions	Business Development Department, HR Department	As required
Security measures; access control; insurance	Legal Department, Business Development Department	As required
Smart controls for imports	Portfolio Management and Analyses Department	Monthly
Smart controls for imports	Portfolio Management and Analyses Department	Monthly

The table above provides a description of all major risks identified by the Company and the Group that are associated with the qualitative descriptions of the risks in this chapter, methods for measuring them, and responsibilities and activities used to manage them. The codes are determined based on the classification of risks into basic categories, where “F” means financial risks, “M” means market risks, and “O” means operative risks.

Risk assessment matrix for GEN-I, d.o.o. and GEN-I group

		DAMAGE IN THE BUSINESS YEAR			
		MINOR	MODERATE	SIGNIFICANT	SEVERE
		Loss up to 0,5 mio EUR	Loss up to 2,5 mio EUR	Loss up to 5 mio EUR	Loss up to 5 mio EUR
PROBABILITY	HIGH More than 20% More than 50 times per 250 events				
	MEDIUM Up to 20% No more than 50 times per 250 events	M7, M8	F1, M6, M9, M11, O17	M4, M5	
	LOW Up to 10% No more than 25 times per 250 events		F2, O13, O15		
	VERY LOW Up to 5% No more than 12 times per 250 events	F3, M10, O19, O20	O12, O16, O18	O14	

The risk assessment matrix is a graphic depiction of the estimated probability of events from the above table and the estimated amount of damage or loss of economic benefits. It represents an important part of the general risk management policy. Based on these estimates, the Company and the Group set risk management priorities and define the most suitable measures. Owing to the regular implementation of risk management measures, the Company was able to set up highly effective processes for managing all the above risks, maintaining them within acceptable parameters.

Individual items in the vulnerability matrix are adjusted to changes in business and market environment at least once every quarter by the risk management team, the trading and sales department, the business development department, and the management board. No changes were detected in the Company's and the Group's vulnerability matrix in 2009 and no significant changes are expected in 2010.

II.6 ICT: IT support for operations

CONTINUOUS DEVELOPMENT OF INFORMATION COMMUNICATION SOLUTIONS IS A VITAL PART FOR SUPPORTING SALES, BUSINESS PROCESSES, TRADING AND ALSO THE COMPETENCIES OF EMPLOYEES OF THE GEN-I GROUP.

Functioning of the companies within the GEN-I Group is inextricably linked to the constant development of the information and communication technology (ICT) and a comprehensive IT system. This is based on considering special characteristics of the Group's activities (e.g. purchase, sales, and trading) and on linking of different sorts of information into a unified system. The organizational units in Ljubljana and Nova Gorica both have their own information and communication technology units, which complement each other and deal with the specific issues arising from their core activities. Their aim is the coordinated monitoring of all business processes and activities within the Company and the Group. In addition to constant technology upgrades, the Group's priorities also include implementation of new control mechanisms that ensure the quality of services and reduce risks.

Supporting sales: customer relationship management

The introduction of the new Affordable Electricity brand for households and small business customers in 2009 was supported by an entirely new IT system that enables processing of a large number of customers and simple management of electricity supplier changes. A new CRM software package was installed for managing relationships with large business customers.

Numerous households and small business customers chose GEN-I as their electricity supplier in 2009 and opted for the Affordable Electricity brand. The decision to change suppliers and switch to GEN-I was promoted through deliberate marketing campaigns that were supported by carefully designed information and communication technology. The challenge of handling a large number of customers in a standardized way was resolved by developing and implementing a completely new IT system to support sales to these customers. The system is specially designed to process a large number of customers simultaneously. Its functions are based on the simplification, standardization, and automation of the most common tasks, which include receiving queries, signing supply agreements, carrying out proce-

dures associated with supplier changes, invoicing supplied electricity, preparing monthly statements, creating payment reminders, and ensuring debt collection.

The sale of electricity to large business customers is supported by a customer relationship management system. In 2009, GEN-I, d.o.o. implemented a new CRM software package that was developed and upgraded by its own experts. The CRM enables the Company to manage the sales process from the first analysis and identification of prospective customers to the process of establishing communication with them, sending them quotes, and receiving their orders. System upgrades in the future will be aimed mainly at ensuring the highest level of automation and at increasing the quality of services. Other important development projects include improvements to the system used for analyzing and identifying prospective customers.

Supporting processes: adjusting to the new ways of cooperation with the system operator

By upgrading its IT system, GEN-I, d.o.o. was able to successfully adapt to changes in the way electricity consumption was monitored at metering points in Slovenia, a task carried out by the electricity distribution system operator SODO. These adjustments enabled the Company to calculate electricity supplied to customers and appropriate network charges independently in a single invoice.

In accordance with Slovenian legislation, the only relevant source of electricity consumption data at metering points for Slovenian electricity suppliers is the state-run institution SODO. As the national electricity distribution system operator, SODO is the owner and administrator of a unified database of metering points in Slovenia, which is available to suppliers under specific conditions. At the beginning of 2009, SODO changed the format and communication method for electricity consumption data, which is used to calculate consumption and issue invoices to customers. It also upgraded the communication link between suppliers and SODO (the Perun portal) and enabled independent suppliers to charge

both the electricity used and the network charges in a single invoice. Following these changes, GEN-I, d.o.o. adjusted its IT system to suit the new conditions.

The development and implementation of a communication interface for transferring data between SODO and GEN-I, d.o.o., along with the development of a new tool for verifying the authenticity and integrity of the data received and for the transformation of such data into existing data models, provided important support for the Company's sales activities. The main IT system at GEN-I, d.o.o. was upgraded so that it enabled the Company to issue single invoices, on which network charges are calculated independently of SODO's calculations (an additional safety mechanism ensuring the correctness of calculations). Due to the increasing volumes of data exchanged over SODO's web portal Perun and in order to ensure the planned automation of certain communication paths, experts at GEN-I, d.o.o. have developed their own tool for obtaining master data on individual metering points.

Supporting trading: main trading system and reporting models

The Company's main trading system iOPT is specifically designed to cover the needs of cross-border trading, with IT solutions that support different reporting requirements in line with the relevant local legislation. The reliability of the system is guaranteed by the powerful support infrastructure.

GEN-I's successful and extensive international trading activities are supported by robust and carefully designed ICT solutions. Its experts develop and maintain the software that helps boost the productivity of sales processes. Most of the solutions focus on standardization and automation of data transfers between different sources, and final transfer of data into the main trading system iOPT where the Company records all transactions and portfolio positions, allocates schedules, forecasts prices on liquid markets, monitors risks, and generates trading reports. In 2009, an extensive project focusing on the specifics of cross-border trading in the Balkans was launched.

The rapid expansion of the GEN-I Group to foreign markets increases the need for various reports, both for institutional local stakeholders in specific countries and for the Company's and the Group's own stakeholders. One of the focuses of the development of IT support in 2009 was reporting to customs authorities. This was a priority because requirements for customs reports vary greatly from country to country, with different standards on data preparation and reporting in almost each country.

Improvements of existing tools were linked to reporting models that support decision-making processes. ICT solutions enable the Company to display data obtained daily in the form of pivot tables that include key data about transactions resulting from electricity trading and trading of cross-border transfer capacities. Such exact and structured overviews of trading positions, which display relevant quantities and their values, ensure more precise controls of data reliability and quality.

Since the reliability of data is crucial for the Company's performance, back-up support for the most important areas of the Company's operations was provided in 2009 by doubling the capacity of the infrastructure. The efficiency of the tools was further increased by the recently updated hardware.

Supporting expertise: tools for creative cooperation

The expertise of individuals and teams working for GEN-I, d.o.o. and the GEN-I Group helps maintain and develop the appropriate IT tools that facilitate recording of knowledge, project management, presentations, conferences, meetings, etc. Tools that enable and encourage cooperation among employees are of particular importance.

The tools introduced in 2009 are aimed at preserving the most important knowledge and information within the Company. The central tool used for storing information is Microsoft Office SharePoint Services, which enables employees to work together in order to create and store project documentation, functional documentation, user documentation, etc. This tool is used for project management and ongoing presentation of updates in selected business reports. To ensure a more effective transfer of documents, the Company uses the Business Connect document management system provided by Marg.

A system for recording tasks and activities called Mantis was introduced in the IT department, enabling it to coordinate various execution priorities with other departments and the Company management.

An advanced presentation system called Smartboard is also used at the Company. It combines the simplicity of an ordinary blackboard with the advantages of a modern computer-aided system. The conference rooms and offices are equipped with video conferencing systems, enabling direct communication between employees working at different locations. The system has been upgraded to include a recording feature. All conferencing tables are fitted with video projectors and large screens that are used as an important tool for the Company's trading activities.



II.7 Important events in 2009

JANUARY	<p>GEN-I Zagreb d.o.o. carries out its first electricity supplies on Croatia's domestic market. A trading license obtained in Albania ensures additional cross-border capacities from the Albanian transmission system operator OST.</p>
FEBRUARY	<p>GEN-I's second partner event is attended by more than 60 representatives from partner companies.</p> <p>GEN-I d.o.o. Sarajevo obtains the license for electricity trading in Bosnia and Herzegovina; it enables the Company to participate in cross-border capacity auctions organized by NOS BiH, the transmission system operator in Bosnia and Herzegovina.</p> <p>The first major transits of electricity across Albania into Greece are carried out by GEN-I Tirana Sh.p.k., the first licensed foreign company in Albania.</p> <p>GEN-I is selected as the best bidder at a public tender for electricity supply to the Slovenian Association of Public Utility Companies over a three-year period.</p>
MARCH	<p>On 16 March 2009, GEN-I, d.o.o. enters the household market with its Affordable Electricity brand. By the end of March, over 2,000 households choose GEN-I as their electricity supplier. GEN-I and its partners participate in auctions for cross-border transfer capacities on the Greek-Italian border for the first time; transit is established through Greece into the southern Italian price zone.</p> <p>Alternative electricity is successfully provided for the entire duration of a planned closure of the Krško Nuclear Power Plant in April.</p> <p>Large customers in Slovenia purchase 127 GWh of electricity from GEN-I for 2010 and 2011.</p>
APRIL	<p>GEN-I ensures the remaining missing quantities of electricity in its portfolio to substitute the electricity during the outage at the Krško Nuclear Power Plant.</p> <p>The Affordable Electricity offer is extended to include small business customers. By the end of April, 140 small businesses choose GEN-I as their electricity supplier.</p> <p>First deliveries of electricity from Greece into Italy. GEN-I and its partners supply 32 GWh of electricity.</p>
MAY	<p>GEN-I signs the first long-term option contract with structured prices in Bulgaria.</p> <p>In Macedonia, GEN-I sells additional quantities of electricity to end-customers.</p> <p>In Serbia, GEN-I is successful at public tenders for daily and weekly electricity purchases from EPS and achieves record monthly purchases in June.</p> <p>As many as 274 small business customers and 5,887 households opt for Affordable Electricity and choose GEN-I as their electricity supplier.</p> <p>GEN-I is awarded the second of two contracts at the public tender organized by the Association of Municipalities and Towns of Slovenia for the three-year supply of electricity from 2010 to 2012, with annual quantities exceeding 100 GWh.</p>
JUNE	<p>GEN-I negotiates its highest number of contracts for 2010, mainly in Germany, Slovenia, and Hungary.</p> <p>The Company is successful at public tenders for electricity supply to end-customers and renews more than 10 agreements with large business consumers.</p> <p>Electricity supply at northern Greek borders exceeds the monthly import record of 152 GWh for the first time.</p>

JULY	<p>GEN-I is again selected as the best bidder at the most important public tender for supplying electricity to the Slovenian Railways.</p> <p>The Sugar CRM application for customer relationship management is tested for the first time.</p> <p>In the household segment, GEN-I continues with two of its most extensive sales campaigns: "I work for free for four years" in partnership with Gorenje and "A bonus for employees of GEN-I's partners".</p> <p>In Slovenia, GEN-I negotiates contracts with customers for electricity supply in 2010 in the total amount of 1.1 TWh, more than half of all the planned quantities for this year.</p> <p>In the small business customer segment, GEN-I attracts 24 new customers (excluding Affordable Electricity customers) with consumption exceeding 3 GWh in 2010.</p>
AUGUST	<p>In the trading segment, GEN-I participates in the first public tenders for the sale and purchase of electricity in the region for 2010.</p> <p>GEN-I completes its first independent delivery of electricity from Greece to Italy.</p>
SEPTEMBER	<p>The sales and purchasing department develops a new advanced product for a major customer that has considerable marketing potential in the customer segment with annual consumptions exceeding 30 GWh.</p> <p>By the end of September, GEN-I sells more than 1 TWh of electricity for 2010 on the Hungarian market.</p>
OCTOBER	<p>In Macedonia, GEN-I sells electricity for 2010 to an end-customer.</p> <p>A subsidiary of GEN-I is founded in Romania and obtains the license to trade and sell electricity to end-customers.</p> <p>GEN-I wins an international public tender organized by the cogeneration plant TE-TOL for the supply of 389 GWh of electricity in 2010.</p>
NOVEMBER	<p>The GEN-I parent company completes the infrastructure necessary to operate on the internal Hungarian market and obtains the appropriate license.</p> <p>GEN-I is selected as the best bidder at a public tender organized by the electricity distribution system operator SODO to cover the losses of the distribution network for Elektro Primorska and Elektro Gorenjska in 2010. The total amount of the losses is estimated at 138.4 GWh.</p> <p>The quantity of electricity sold in Slovenia for electricity supply in 2010 surpasses the 2 TWh mark.</p> <p>After setting up the necessary infrastructure in Romania, the Romanian subsidiary GEN-I Bucharest negotiates its first contract for 2010 in November.</p>
DECEMBER	<p>GEN-I purchases a large amount of electricity from Holding Slovenske Elektrarne for electricity supply in 2010.</p> <p>By the end of 2009, 8,358 households and small business customers with 8,699 metering points opt for the Affordable Electricity brand.</p> <p>The campaign „I work for free for two years“ with partner Gorenje is continued until the end of the year, along with other campaigns that enable GEN-I's most important partners to offer their employees better conditions if they choose GEN-I as their electricity supplier.</p> <p>All auctions for the allocation of annual cross-border transfer capacities are completed. GEN-I acquires a total of more than 15 TWh of cross-border transfer capacities for the year 2010.</p>

II.8 Important events after the end of the business year

Transparency: first single invoices

GEN-I, d.o.o. was the first Slovenian company to offer its business customers a single invoice for electricity consumption and network charges.

Foreign markets: expansion and plans for retail activities

The GEN-I Group plans to extend its retail offer to foreign markets. The first activities for expanding electricity sales services to end-customers abroad have already begun in 2010. The Group has started developing customized products for end-customers on some of its foreign markets, which have become increasingly demanding due to the recession. The Group's new approaches offer customers additional purchasing options.

As early as January 2010, the monthly electricity sales of the GEN-I Group exceeded the 1 TWh threshold for the first time in its history. As a result of its more aggressive approach, the Group has been increasing its market share on the wholesale markets of Southeast Europe, where the effects of the recession are acutely felt.

At the beginning of 2010, the Group initiated the procedures for establishing a subsidiary in Bulgaria and expects to commence operations on the Bulgarian national market in the course of 2010.

The Group has also initiated activities to establish a subsidiary in Italy, which will be the first of its subsidiaries to sell electricity primarily to end-customers.

Partnership: the group advantage

The third partner event organized by the GEN-I Group in March 2010, where existing and prospective partners were provided with useful information and shown examples of best practices, demonstrated the Group's main advantages and benefits for partners who choose to cooperate with it. For GEN-I, these events are an opportunity to establish new and reinforce existing relationships with partners, which is crucial for successful cooperation.

II.9 Plans for 2010

ALTHOUGH FORECASTS INDICATE THAT 2010 WILL BE ONE OF THE TOUGHEST YEARS IN THE ELECTRICITY TRADING AND SALES SEGMENT, THE GEN-I GROUP PLANS TO INCREASE ITS ELECTRICITY TRADING QUANTITIES BY MORE THAN 12%.

The plans are based on investments and preparations made in the previous year. During the recession, the Group's investments were aimed at establishing an infrastructure that will help it build an even stronger foundation for success once the crisis is over.

The GEN-I Group plans to **intensify its purchase and sales activities on the domestic market and on a number of foreign markets**. The Group intends to further expand its presence on markets of Eastern and Western Europe. One of the steps in this direction is the planned establishment of a new subsidiary in Bulgaria, which will enable the Group to start trading on the country's internal market.

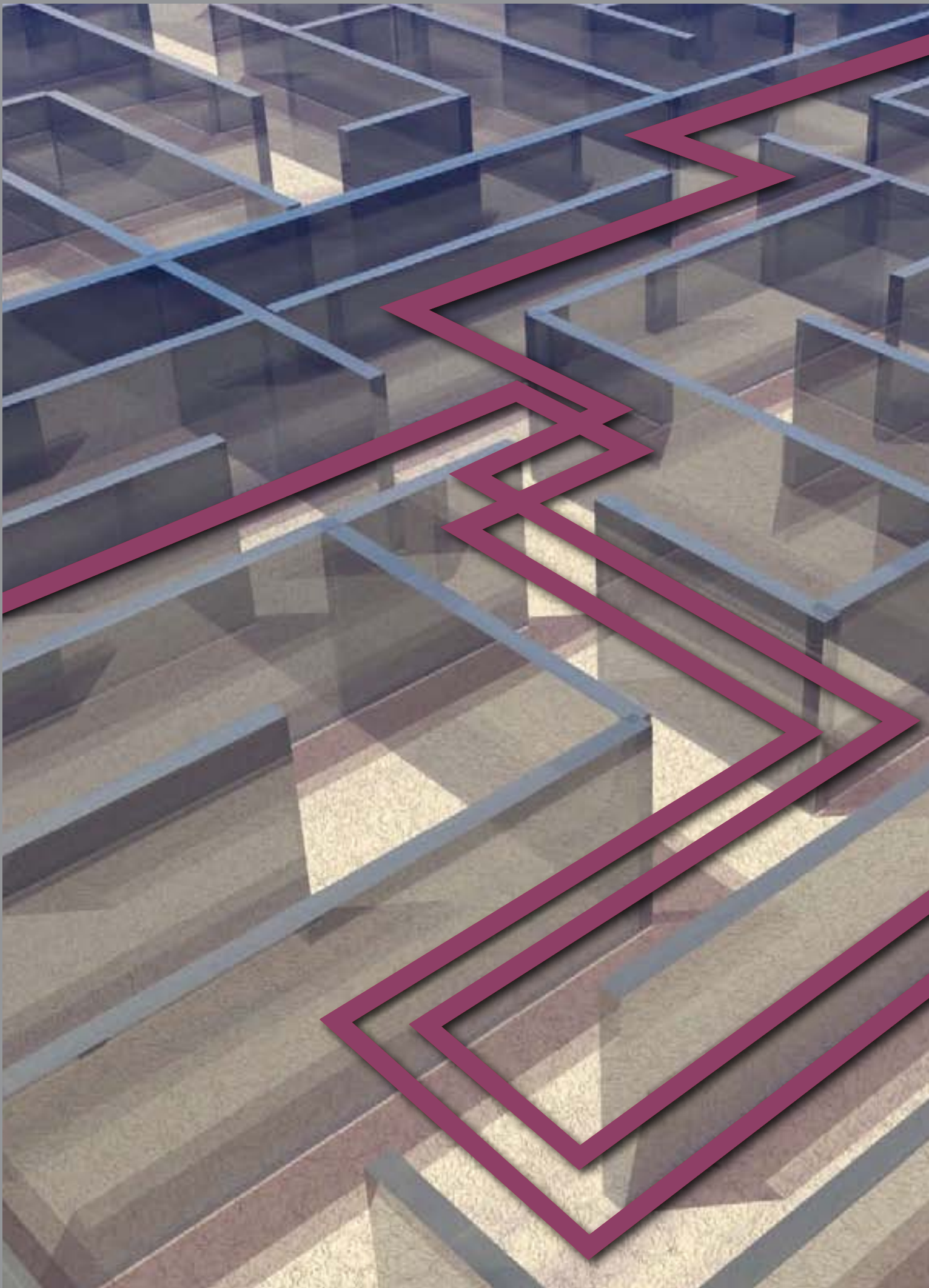
In the coming years, the GEN-I Group will focus on **establishing the infrastructure for selling electricity to end-customers on foreign markets**. Several important activities for achieving this goal are planned for 2010, including the founding of subsidiaries in Italy and Austria.

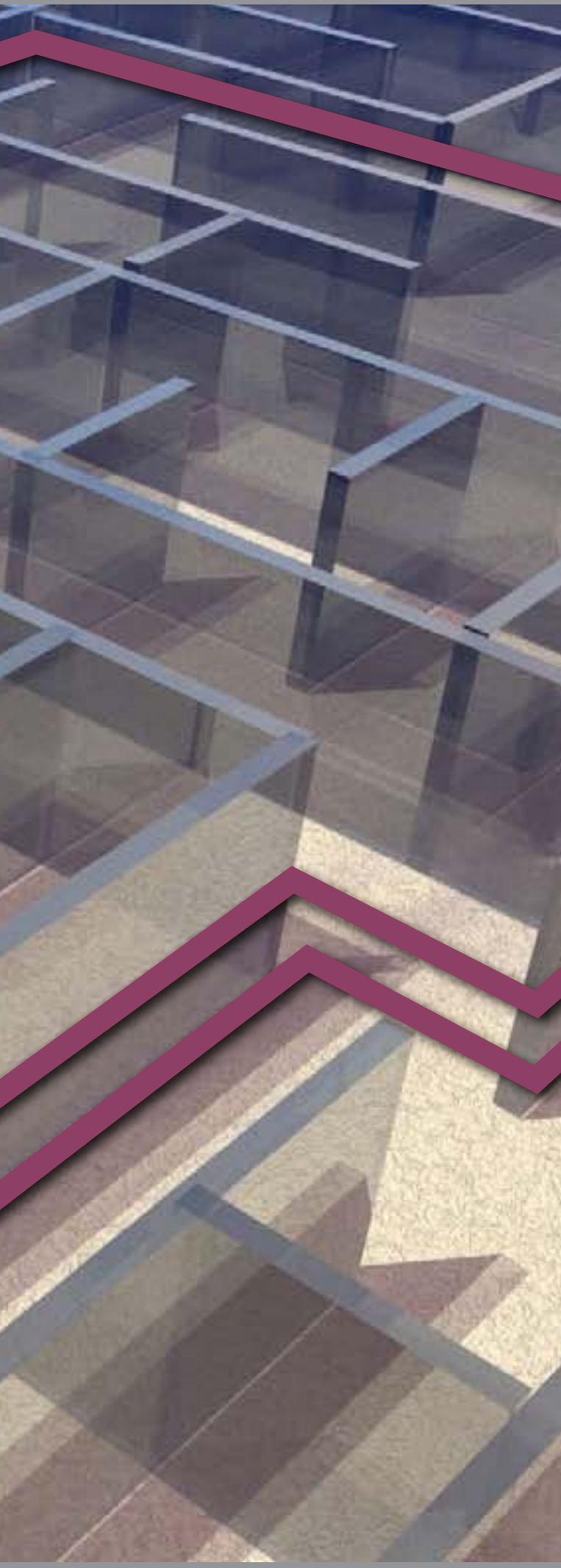
The Group will **increase satisfaction levels in all customer segments** using advanced products and processes. Intensified sales activities will be linked to improvements of the information platform for the Affordable Electricity brand, which is aimed at households and small business customers. In the area of sales to large business customers, the Group plans several improvements to its products and processes.

The Group intends to **include advanced financial trading tools more efficiently** in its portfolios in order to manage the risks arising from electricity price changes and exchange rate fluctuations, which affect trading on the relevant markets.

In 2010, the Group expects the **number of its employees to increase** even further. The Group's business model, which has generated excellent results in the past, will be supplemented and its organizational structure upgraded. Internal business processes have become very complex in recent years, characterized by quick growth and rising numbers of employees, which is why the Group intends to strengthen its middle management and adjust the structure of its general services.

The guiding principle when organizing work in the future will be the **optimization of internal processes**, which will help the Group increase its efficiency and improve risk management. By optimizing and standardizing internal processes, the Group will reduce operational risks, increase the transparency of its operations, and help speed up the decision-making process. These changes will enable it to adjust more easily to changing market conditions.





III. Responsible paths to success

RESPONSIBILITY TO EMPLOYEES

RESPONSIBILITY TO CUSTOMERS AND BUSINESS PARTNERS

RESPONSIBILITY TO COMMUNITY AND ENVIRONMENT

Systems and networks are no more than links between people. Searching for better ways means searching for possibilities, which preserve natural endowments and enhance the quality of life.

III.1 Responsibility to employees

YOUTH, EDUCATION AND STRONG MOTIVATION ARE INHERENTLY LINKED TO EMPLOYEE SATISFACTION WITHIN GEN-I GROUP.

Structure: young employees with above-average education

At the end of 2009, the GEN-I Group had 83 employees or 55% more than a year earlier. In the course of the year, 26 new employees were hired. The majority or 73 employees work for the Group's Slovenian company, while the rest are employed at foreign subsidiaries: 3 in Serbia and 1 in each of the Group's subsidiaries in Croatia, Hungary, Macedonia, Romania, Greece, Albania, and Bosnia and Herzegovina. The growth in the number of employees is a reflection of growth and good performance of both the Company and the GEN-I Group. In recent years, number of employees has been growing steadily at an annual rate of 50% or more.

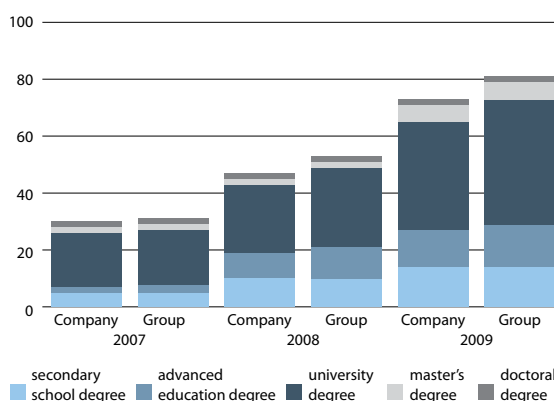
The average employee age is 32.7 years, with two thirds of employees in the 25–35-year category. Employees under 25 years account for 7% of all employees, while employees over 35 years account for 26% of all employees. A similar age structure has been maintained throughout the Company's and the Group's history.

At the end of 2009, female employees represented 56% and male employees 44% of the total number of employees. This ratio changed in the course of the last year: the proportion of female employees was lower at the end of 2008, when it stood at 47%.

GEN-I, d.o.o. is a company of highly educated professionals. More than 60% of its employees hold a university degree and more than 10% have a doctoral or master's degree. This above-average educational structure will improve further in the coming years, as a number of employees are currently attending courses leading to a master's or doctoral degrees, and several employees below the age of 25 are finishing their undergraduate studies.

The employees' professional background is mainly in the fields of electricity, mechanical engineering, physics, mathematics, information technology, and computer science. In addition to this, employees hold professional qualifications in various areas of social sciences,

such as economics, law, journalism, psychology, etc. The Company's operations are based on a combination of expertise from various fields. Specialized knowledge of the workings of the electricity system and the use of financial instruments are of particular importance.



To keep up with the Company's growing operations, expansion of its business network to foreign markets, and resulting increase in the number of employees, GEN-I hired new professionals in 2009 in the areas of IT support, human resource management, establishment of effective internal processes, and communication with the internal and external public.

Career development: knowledge as the key value

Knowledge is one of the most important values at GEN-I, d.o.o. and the GEN-I Group. Combined with competence, professional approach, and creativity, it is one of the Group's four basic foundations for achieving its vision and implementing its business strategy.

GEN-I encourages the development of young professionals. Its team includes two young research assistants (one has been with the Company since 2008, the other since 2009), who help establish links between their universities and the economy, bringing together theoretical knowledge and its application in practice. Since 2008,

GEN-I has also been sponsoring a university student, whose article "Virtual Electricity" won the first prize at the 2009 student competition held as part of a conference for Slovenian electricity companies.

Incentives that promote knowledge and encourage personal growth among employees are implemented using organizational measures that enable individual employees to fulfill their potential and realize their ambitions.

In 2009, GEN-I, d.o.o. launched a project with the aim of reviewing the Company's management. Using two measurement tools, the Company aims to identify potential among employees and discover opportunities for their future development, helping promising individuals develop their career paths. The project also involves use of various motivational tools aimed at all employees, particularly middle management. As part of the project, each management member was informed about their managerial skills and given guidelines for future development. All senior employees were presented with instructions on how to work effectively with their subordinates.

This project is the basis for the Company's carefully designed education strategy and development of work teams in the future. The main outcomes of the project are linked to improvements in the execution and content of annual evaluation interviews, which are already being used by the Company. In addition to an overview of the employees' past work, instructions on how to achieve future goals, and definition of individual career paths, these systematic interviews also include a development component. This entails defining guidelines for each individual's career and developing their competences.

GEN-I, d.o.o. and the GEN-I Group continue to offer and further develop professional education activities introduced in the past for employees in highly specialized fields, such as seminars leading to specialized trading certificates. In-house presentations on particular topics, where employees are able to pass on their knowledge to their colleagues and increase bonds between different departments, are also held, along with organized foreign language courses.

Organizational climate: continued concern for employee satisfaction

At the beginning of 2009, GEN-I, d.o.o. started actively developing projects, tools, and systems aimed at increasing employee satisfaction. Systematic investment in employees, development of their skills, and the resulting increased satisfaction are based on the findings of a survey on organizational climate that was carried out in 2008. The survey showed that employees were satisfied and that they perceived their working environ-

ment as progressive, proactive and, supportive of professional growth. It also showed that employees had high expectations from the Company. In the survey, they expressed their willingness to form cohesive teams with a high degree of personal responsibility and individual involvement in business processes. The human resources department has therefore been implementing an increasing number of tools and systems aimed at improving employee satisfaction in cooperation with external experts. The Company's organizational climate is an important tool for minimizing human resource risks.

Another important factor of employee satisfaction is level of familiarity with the Company's internal processes. Therefore, the Company introduced a new communication channel at the beginning of 2009 in the form of a monthly electronic newsletter containing the most important information on the Company's performance, new employees, and upcoming employee events.

Occupational health and safety: organized preventive measures

The number of absences due to illness is extremely low at GEN-I, d.o.o. In 2009, absences due to illness accounted for merely 0.2% of all working days. Most of the absences were related to child care. The remarkably low absenteeism rate is a result of the specific age structure (young staff), highly motivated employees with above-average education, general employee satisfaction, and systematic measures taken to ensure the occupational health and safety of employees.

All new employees within the GEN-I Group must have a medical examination before taking up their positions. Management staff are also entitled to periodic specialist medical examinations as recommended by their chosen physician.

All of GEN-I's employees are included in the Company's collective additional pension insurance plan. Employees that travel abroad in the scope of their duties are also entitled to permanent travel insurance.

The policies on working conditions and job classification at GEN-I, d.o.o. include safety measures that are aimed at reducing health and safety hazards for employees and that take into account the relevant standards as defined by the law and other implementing acts (Occupational Health and Safety Act and Fire Protection Act).

Occupational health training was carried out for all employees in 2009. All employees have also passed the occupational health and safety test as well as the fire protection test.

III.2 Responsibility to customers and business partners

GOOD BUSINESS RELATIONS ARE CONSEQUENCES OF SYSTEMATIC MONITORING OF SATISFACTION AND INTRODUCTION OF NOVELTIES.

Co-managing purchases: call center and the terminal

GEN-I builds transparent and professional relationships with all its customers, enabling them to increase the efficiency of electricity purchases.

In 2009, when the economic crisis made it impossible for some companies to predict future electricity consumption and comply with all their contractual obligations, GEN-I demonstrated a professional and flexible approach to working relationships. The Company met the agreed conditions in all its contractual relationships, while it also adjusted the terms of its business relationships according to the level of trust and past cooperation with individual partners.

Individual account managers are available to all major business customers, offering them information and support they need. The web portal Terminal enables customers to co-manage their electricity purchases, report any changes, and access the latest information.

A **toll-free helpline number (080 1558)** is available to households and small business customers from Monday to Friday from 8 am to 8 pm. The call center continuously monitors call statistics and at the end of each month answers selected frequently asked questions on the customers' bills.

Customer satisfaction: a customer-friendly supplier

GEN-I, d.o.o.'s systematic efforts to inform its customers about available products and services contributed to the customers' satisfaction with the selected supplier and their electricity purchases. This was confirmed by a survey carried out using the "mystery shopper" approach. The "Customer-friendly electricity supplier 2009" survey was conducted by Skrivnostni nakup, d.o.o. and consisted of mystery shoppers selecting the best electricity and natural gas supplier in 2009. GEN-I was awarded the highest marks.

As part of the survey, mystery shoppers called the Affordable Electricity call center and contacted the Company by e-mail using a predefined scenario, constantly collecting information about the attitude to customers from initial contact to the Company's problem-solving approach. Marks were given for the professionalism of employees and the consistency of the Company's operations with industry standards. The Affordable Electricity team was the highest marked among electricity sales companies and also the best among all participating companies.

In 2009, customer satisfaction in the household segment was improved with the introduction of the Affordable Electricity brand, which attracted more than 8,000 households by the end of the year, and also by offering households various advantages. The launch of the Affordable Electricity brand was accompanied by two marketing campaigns, which informed customers about their electricity supply options and simple procedures for switching to a new electricity supplier. Some of the benefits offered to households in 2009 included special offers of a month's electricity for EUR 1 or a month of free electricity. With partner Gorenje, GEN-I offered buyers of large kitchen appliances 500 kWh of free electricity, a quantity that covers the electricity consumption of the appliance for approximately two years.

Small business customers, craft professionals, and entrepreneurs were able to take advantage of the Company's simple and transparent Affordable Electricity offer, prepared jointly by GEN-I and the Chamber of Craft and Small Business of Slovenia on the basis of a partnership agreement. The agreement was renewed at the end of 2009 and will remain in force for another year. In 2009, GEN-I, d.o.o. was the only electricity supplier that published its electricity prices not just for households, but for small business customers as well.

III.3 Responsibility to community and environment

GEN-I GROUP SHARES ITS KNOWLEDGE AND CONCERNS FOR THE FUTURE WITH THE ENVIRONMENT WHERE IT OPERATES.

Slovenia: incentives for the development of an open market

GEN-I, d.o.o. and the GEN-I Group maintain transparent relationships with all relevant institutions and work closely with authorities on administrative and other procedures, striving for good, honest partnerships with all stakeholders in the country and on the market.

During the launch of its Affordable Electricity brand in 2009, GEN-I carried out extensive marketing activities and provided customers with comprehensive information, encouraging them to change their electricity supplier. Although the choice of supplier was available to customers as early as 2007, very few customers opted for it, mainly due to lack of information.

In addition to its simple offer and low prices, the Affordable Electricity brand provided customers with all the necessary information about their options, thereby increasing consumer awareness. The Consumers' Association of Slovenia singled out GEN-I as the company that triggered a wave of new offers for household customers⁴.

After years of persistently rising electricity prices, GEN-I was the first company to offer lower prices and more favorable conditions, to dispose of progressive pricing plans, simplify the electricity offer, and increase the transparency of bills. Using comparative advertising and wide-ranging communication, the suitability and correctness of which was constantly monitored in partnership with the Consumers' Association of Slovenia and the Market Inspectorate, GEN-I successfully promoted the implementation of free market principles. In all its activities, the Company strives to ensure advantages for the customer.

As part of the Affordable Electricity project, GEN-I de-

veloped the procedure for changing electricity suppliers and registering it with the competent authorities. The Company carries out this procedure with the authorization and in the name of individual customers. During the implementation of the project, the Company established good working relationships with the relevant institutions, such as SODO and the Energy Agency of the Republic of Slovenia.

The general public and the media: transparency and responsiveness

GEN-I ensures that the public is well informed about its operations and any relevant events by maintaining good relationships with mass media. The Company held two press conferences in 2009 and representatives of the media received regular press releases. The units responsible for communication within GEN-I are open to any queries from the press and respond to them quickly and accurately. Most of the media coverage in 2009 focused on informing the public about the possibility of changing electricity suppliers. The response of the media to the Affordable Electricity brand was extremely positive.

Local communities: sponsorships and communication

GEN-I, d.o.o.'s units in Slovenia include the parent company, whose registered office is in Krško, and two organizational units in Ljubljana and Nova Gorica. The Company contributes to the quality of life in its local environment through sponsorships and maintains good relationships with the local communities by informing them about its operations.

In 2009, GEN-I organized a meeting with the members of the local press in Krško, where it presented the new Affordable Electricity call center, which operates from the Company's registered office. The athlete Primož Kozmus, who is one of the individuals sponsored by the Company, was also present at the meeting. Following his gold medal success at the world championship, he was awarded additional sponsorship funds by the Company.

4 According to the Consumers' Association of Slovenia, the arrival of the new electricity supplier GEN-I, who has offered households electricity at lower prices, transparent pricing policies, and guaranteed prices until the end of 2010, has led to Elektro Gorenjska publishing a new offer on its website, with similar steps announced by Elektro Primorska and Elektro Ljubljana. Source: www.mojevro.finance.si, statement by the Consumers' Association of Slovenia, 9 April 2009

GEN-I allocates the majority of the remaining sponsorship funds to sports clubs and associations in the local communities. The Company also supports various local events, especially in the Posavje and Goriška regions.

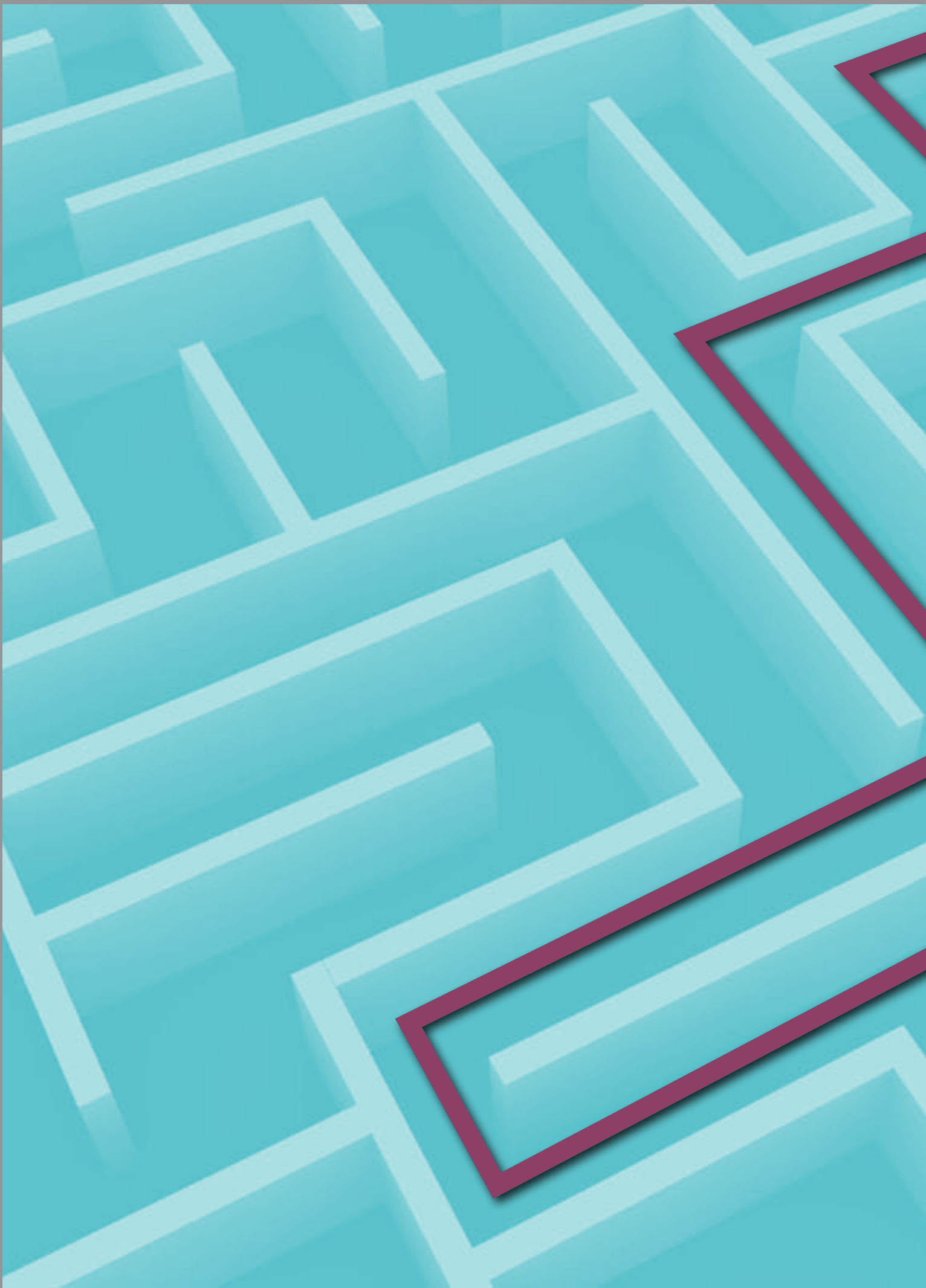
Preserving the natural environment: sustainable energy sources

GEN-I, d.o.o. and the GEN-I Group trade electricity from different sources, taking into account the principles of sustainable development. The Company purchases 30% of all electricity produced by small producers who use renewable sources and high-efficiency cogeneration plants in Slovenia.

As part of its operations in 2009, GEN-I also obtained guarantees of origin, proving that 33,669 MWh of the electricity traded came from renewable energy sources and cogeneration plants.

Employees at GEN-I strive to incorporate environmental principles into their everyday work. By using video conferencing for an increasing number of meetings, employees reduce the need for business travel, thus contributing to lower emissions of greenhouse gases.







IV. Financial
statements and notes
GEN-I, d.o.o. 2009

IV.1 The company's financial statements

IV.1.1 Statement of financial position

Amounts in €

Items	Note	31/12/2009	31/12/2008
Property, plant, and equipment	1	439,467	480,333
Intangible assets	2	361,525	324,246
Interests in subsidiaries	3	1,788,124	889,486
Non-current receivables	4	63,090	57,275
Deferred tax assets	11	50,766	32,011
Non-current assets		2,702,972	1,783,351
Trade and other receivables	5	46,017,415	78,109,179
Other investments including derivatives	6	1,326,265	5,507,098
Cash and cash equivalents	7	10,301,633	2,233,200
Current assets		57,645,313	85,849,477
Assets		60,348,285	87,632,828
Share capital		12,877,610	8,000,000
Reserves		982,083	488,192
Retained earnings	8	9,383,939	4,955,222
Equity		23,243,632	13,443,414
Long-term provisions	10	62,498	44,645
Non-current liabilities		62,498	44,645
Short-term loans and borrowings	9	3,000,000	14,082,098
Other current financial liabilities		0	2,953
Trade and other payables	12	34,042,155	60,059,718
Current liabilities		37,042,155	74,144,769
Liabilities		37,104,653	74,189,414
Total equity and liabilities		60,348,285	87,632,828

IV.1.2 Statement of comprehensive income

Amounts in €

Items	Note	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Sales revenues	15	421,723,781	320,744,875
Other operating income		5,571	141,976
Cost of goods sold		-408,074,209	-306,957,570
Cost of materials	16	-154,558	-98.,929
Cost of services		-4,189,391	-2,167,010
Labour cost	17	-3,191,238	-2,240,234
Depreciation and amortization	18	-369,978	-236,719
Other operating expenses	19	-869,594	-142,428
Operating profit or loss		4,880,384	9,043,961
Financial income		7,410,737	454,844
Financial expenses		-604,867	-2,716,653
Profit or loss from financing	20	6,805,870	-2,261,809
Profit before tax		11,686,254	6,782,152
Income tax expense	21	-1,808,422	-1,566,128
Profit or loss for the period		9,877,832	5,216,024

Amounts in €

Other comprehensive income	Note	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Profit/loss for the period		9,877,832	5,216,024
Total comprehensive income for the period		9,877,832	5,216,024

IV.1.3 Statements of cash flows

Amounts in €

Items	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Cash flows from operating activities		
Net profit or loss for the period	9,877,832	5,216,024
Adjustments for		
Depreciation and amortization	369,978	236,719
Write-offs of property, plant, and equipment	2,975	0
Reversal of write-offs and write-offs of liabilities	41,856	0
Loss on sale of property, plant and equipment, intangible assets, and investment property	451	0
Financial income	-7,410,737	-454,844
Financial expenses	604,867	2,716,653
Income tax	1,808,422	1,566,128
Operating profit before changes in net operating current assets and taxes	5,295,644	9,280,680
Changes in net operating current assets and provisions		
Change in receivables	31,959,764	-46,389,055
Change in operating liabilities	-25,538,465	37,423,426
Change in provisions	17,853	8,544
Income tax paid	-2,325,083	-1,266,316
Net cash flow from operating activities	9,409,713	-942,721
Cash flows from investing activities		
Interest received	372,347	314,819
Dividends received	3,182,381	0
Proceeds from sale of property, plant and equipment, and intangible assets	2,124	0
Receipts from decrease in loans given	5,062,823	6,629,000
Proceeds for settlement of derivatives	7,706,875	0
Acquisitions of property, plant and equipment, and intangible assets	-371,942	-474,803
Acquisitions of subsidiaries	-898,638	-672,847
Acquisitions of other investments	-5,815	-7,200
Expenses for increase in loans given	-653,838	-9,357,805
Payments for settlement of derivatives	-4,145,551	-1,882,349
Net cash from investing activities	10,250,766	-5,451,185
Cash flows from financing activities		
Interest paid	-465,932	-557,056
Expenses for repayment of short-term loans	-18,082,098	0
Receipts from short-term loans received	7,000,000	9,411,320
Foreign exchange differences	27,781	120
Change in equity	4,877,610	0
Dividends paid	-4,955,222	-2,628,199
Net cash from financing activities	-11,597,861	6,226,185
Cash and cash equivalents at beginning of period	2,233,200	2,393,721
Net increase in cash and cash equivalents	8,062,618	-167,721
Cash and cash equivalents at end of period	10,301,633	2,233,200

IV.1.4 Statement of changes in equity

2009

Amounts in €

Changes in equity	Share capital	Legal reserves	Retained earnings	Total equity
Balance at 01/01/2009	8,000,000	488,192	4,955,222	13,443,414
Profit or loss for the period	0	493,891	9,383,941	9,877,832
Total comprehensive income (loss) for the period	0	493,891	9,383,941	9,877,832
Entry of share capital	4,877,610	0	0	4,877,610
Dividend (shares) payout	0	0	-4,955,222	-4,955,222
Balance at 31/12/2009	12,877,610	982,083	9,383,941	23,243,634

2008

Amounts in €

Changes in equity	Share capital	Legal reserves	Retained earnings	Total equity
Balance at 01/01/2008	8,000,000	227,390	2,628,199	10,855,589
Profit or loss for the period	0	260,802	4,955,222	5,216,024
Total comprehensive income (loss) for the period	0	260,802	4,955,222	5,216,024
Dividend (shares) payout	0	0	-2,628,199	-2,628,199
Balance at 31/12/2008	8,000,000	488,192	4,955,222	13,443,414

IV.2 Notes to the financial statements

IV.2.1 The reporting company

The reporting company GEN-I, d.o.o. (hereinafter: the Company) is based in Slovenia. Its registered office is at Cesta 4. julija 42, SI-8270 Krško, Slovenia. The Company's financial statements were prepared for the business year that ended on 31 December 2009.

IV.2.2 Basis of preparation

(a) Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements were approved by the Company's management board on 4 March 2010.

(b) Measurement basis

The financial statements are compiled on a historical cost basis, except in the following cases where fair value is used:

- derivatives, and
- financial instruments at fair value through profit and loss.

(c) Functional and presentation currency

The financial statements are expressed in euros, the Company's functional currency. All accounting data presented in Euro is rounded to the nearest integer.

(d) Use of estimates and assessments

When preparing the financial statements, the Company's management is required to make assessments, estimates, and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenues, and expenses in accordance with IFRS.

Estimates and assumptions are mainly associated with:

- estimated useful lives of amortizable assets,
- asset impairment,
- employee earnings, provisions,
- deferred taxes,
- contingent liabilities, and
- derivatives.

Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

(e) Changes to accounting policies

(i) Overview

As of 1 January 2009, the Company applies amended accounting policies in the following areas:

- definition and presentation of operating segments,
- accounting for borrowing costs, and
- presentation of financial statements.

(ii) Definition and presentation of operating segments

On 1 January 2009, the Group defined and presented operating segments based on the relevant data, which is passed on to the member of the Group's management board responsible for decision-making. The change to this accounting policy is based on the implementation of IAS 8 Operating Segments. Before this change, the Company defined and presented operating segments in line with IAS 14 Segment Reporting. To comply with the new accounting policy, the Company discloses its operating segments below.

An operating segment is a part of the Group that carries out business activities from which the Group generates income and incurs costs (including income and costs related to transactions with other members of the Group).

(iii) Accounting for borrowing costs

As of 1 January 2009, the Company includes borrowing costs in the cost of property, plant and equipment if they can be directly attributed to the acquisition, construction or production of a qualifying asset. In past years, the Company recognized all borrowing costs as expenses.

The change to this accounting policy is based on the implementation of IAS 23 Borrowing Costs (2007) and its transitional provisions; comparative figures have not been adjusted. Because the Company had no major investments with longer construction periods in 2009, no borrowing costs were capitalized. As a result, the change of this accounting policy did not affect net profit.

(iv) Presentation of financial statements

The Company applies the amended IAS 1 Presentation of Financial Statements (2007) that entered into force on 1 January 2009. In accordance with the amendment, the Company discloses all changes to its equity in the statement of changes in equity, while changes in the non-owner share of capital are disclosed in the statement of comprehensive income. Comparative figures are represented according to the amended standard. The change in this accounting policy affects only the way in which the data is presented.

IV.2.3 Significant accounting policies

GEN-I, d.o.o. consistently applied accounting policies described below to all periods presented in its financial statements.

In order to ensure consistency with the data for the current year, some comparative figures were reclassified.

(a) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are converted into the functional currency of the companies within the Group using the exchange rate applied on the day they arise. Cash, cash equivalents, and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate applicable at the end of the reporting period. Positive or negative exchange differences are differences between the amortized cost in the functional currency at the beginning of a period, increased or decreased by the amount of effective interest and payments within the period, and the amortized cost expressed in foreign currency, converted using the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are converted into the func-

tional currency at the exchange rate applicable on the day their fair value was determined. Exchange rate differences are recognized in the income statement.

(ii) Foreign operations

Assets and liabilities of foreign companies are converted into euros using the exchange rate applicable at the end of the reporting period. Revenues and expenses of foreign companies, with the exception of hyperinflationary economies, are converted into euros at average exchange rates.

Any resulting exchange rate differences are recognized directly in equity. As of 1 January 2005, these differences have been recognized in the foreign currency translation reserve (FCTR). When a foreign company is disposed of (in part or in full), the relevant amount in the FCTR is transferred to the income statement.

(b) Financial instruments

(i) Non-derivative financial assets

Loans, receivables, and deposits are initially recognized on the day they arise. Other financial assets (including assets measured at fair value through profit and loss) are initially recognized on the exchange date or on the day the Company becomes a party to the instrument's contractual provisions. Financial assets are derecognized when the contractual rights to cash flows from these assets expire or when the Company transfers the rights to cash flows from financial assets based on a contract that involves the transfer of all risks and benefits associated with the ownership of the financial asset. Each share in the transferred financial asset generated or transferred by the Company is recognized as an individual asset or liability. Financial assets and liabilities are netted, and the net amount is disclosed in the statement of financial position only if the Company has the legal right to either settle the net amount, or cash in the asset and settle its liability. Non-derivative financial instruments include the following: financial assets at fair value through profit or loss, held-to-maturity financial assets, liabilities and receivables, and available-for-sale financial assets.

Financial assets at fair value through profit and loss

Instruments are stated at fair value through profit or loss if they are available for sale or if they are classified as such after initial recognition. Financial assets are measured at fair value through profit or loss if the Company is capable of managing the assets and deciding on their purchase and sale based on fair value. After initial recognition, the related transaction costs are recognized in the income statement when they arise. Financial assets at fair value through profit or loss are measured at fair value, and the amount of any changes in the fair value is recognized in the profit and loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. They are initially recognized at fair value and increased by any direct transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, reduced by impairment losses. Loans and receivables include operating and other receivables.

Cash and cash equivalents include cash in hand and cash balances. Bank overdraft facilities repayable on demand, which form an integral part of the Group's cash management, are included as a component of cash and cash equivalents in the cash flow statement.

Other non-derivative financial instruments are measured at amortized cost using the effective interest rate method, reduced by impairment losses.

(ii) Derivatives

The Company uses derivatives to hedge against market and currency risks.

Derivatives are initially recognized at fair value; any transaction costs are recognized in the profit and loss. After initial recognition, derivatives are measured at fair value. Any gain or loss arising from the remeasurement of fair value is recognized in the profit and loss.

To hedge against market risks caused by electricity price fluctuations, the Company uses forward contracts and a number of different financial trading instruments. To hedge against currency risks, the Company mostly uses forward currency contracts.

To hedge against markets risks arising from electricity prices and currency risks, the Company uses non-standardized forward contracts; these are agreements on the sale or purchase of a basic instrument whose price is determined at the time of the agreement's execution, but with a future effective date. The price of forward transactions is determined based on the underlying financial instrument. At the time of execution, the value of the contract equals zero because the strike price (the agreed settlement price) is equal to the forward price. Not taking into account the costs of supply, the value of a non-standardized forward contract is equal to the difference between the current price of an underlying instrument at maturity and the contractual forward price or the agreed settlement price. The forward price changes during the validity period of the contract depending on changes in current market prices and the remaining duration of the forward contract.

Standardized forward contracts (futures) are binding agreements on the purchase or sale of a standardized quantity of well-defined standard quality instruments on a standardized day in the future (standard specification) at a price determined in the present. Standardized forms are a prerequisite for exchange trading. The main advantage of standardized products is the minimization of transaction costs associated with trading. When such products are used, there is no need for buyers and sellers to define the contractual elements of each transaction: they only need to agree on the price of individual forward contracts. Contracts are negotiated without the physical presence of the goods. A standardized forward contract comes into effect only when registered with a clearing (settlement) house. This type of contract is transferable to enable exchange trading and its liquidity is determined by exchange trading volumes. Non-standardized forward contracts on the other hand are not liquid because there is hardly any exchange taking place with these contracts. When trading forward contracts, the Company must place a security deposit with the clearing house for both sales and purchases. This deposit includes an initial margin and a variation margin.

(iii) Share capital

Share capital is the called-up capital contributed by shareholders. The Company's total share capital includes called-up capital, legal reserves, and retained profit or loss from previous periods.

Dividends

Dividends are recognized as liabilities and are disclosed upon the occurrence of transaction.

(c) Plant and equipment

(i) Recognition and measurement

Items of property, plant, and equipment are disclosed at cost, reduced by depreciation costs and impairment losses.

The cost of assets includes the costs that can be directly attributed to the procurement of assets. Costs of assets produced comprise the costs of materials, direct costs of labor, other costs that can be directly attributed to enabling the use of assets for their intended purpose, costs of disposal and removal, costs of restoring the location of the asset to its original state, and capitalized borrowing costs. Any computer software that contributes significantly to the assets' functionality should be capitalized as part of the asset.

Parts of items of property, plant, and equipment that have different useful lives are accounted for as separate items.

(II) Subsequent costs

Costs arising from the replacement of parts of fixed assets are recognized at carrying amount if future economic benefits for the Group associated with a part are likely to increase and if its cost can be measured reliably. All other costs (such as daily maintenance) are recognized as expenses in the income statement immediately after they arise.

(III) Spare parts

Spare parts and maintenance equipment of lower value with useful lives of up to one year are treated as inventory and recognized as costs in the profit and loss. Spare parts and equipment of significant value with estimated useful lives exceeding one year are recognized as items of property, plant, and equipment.

(IV) Depreciation

Depreciation is calculated using the straight-line method based on the useful life of each component of an item of property, plant, and equipment; this is the most accurate method for predicting asset usage patterns. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Estimated useful lives for the current and comparative periods are as follows:

- Plant and equipment 2 to 5 years
- furniture and built-in equipment 4 to 5 years.

Investments in fixed assets owned by third parties are depreciated for the duration of the lease period (1 to 5 years).

Depreciation methods, useful lives and other values are reviewed at the end of the reporting period and adjusted if necessary. Estimates regarding fixed assets were not revised in the 2009 financial year.

(d) Intangible assets

(I) Other intangible assets

Other intangible assets with limited useful lives are disclosed at cost, reduced by amortization costs and accumulated impairment losses.

(II) Subsequent costs

Subsequent costs associated with intangible fixed assets are only capitalized if they increase future economic benefits arising from the asset to which the cost is related. All other costs are recognized as expenses in profit and loss when they arise.

(III) Amortization

Amortization is calculated based on an asset's cost or another amount that is used in its place, reduced by residual value.

Amortization is recognized in profit and loss using the straight-line method and is based on the useful life of intangible assets (with the exception of goodwill), starting from the date the asset is available for use; this is the most accurate method for predicting the patterns of future economic benefits associated with the asset. Estimated useful lives for the current and comparative years are as follows:

- Software 2 to 5 years.

Amortization methods, useful lives, and other values are reviewed at the end of each financial year and adjusted if necessary.

(e) Asset impairment

(I) Financial assets (including receivables)

The Company assesses the value of financial assets at the end of the reporting period to determine whether there is any objective evidence of asset impairment. A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more events that led to a decrease in estimated future cash flows of the financial asset.

Impairment loss associated with a financial asset that is disclosed at fair value in the statement of comprehensive income is measured as the difference between the carrying amount and the fair value of the asset.

Impairment loss associated with a financial asset disclosed at amortized cost is measured as the difference between the asset's carrying amount and the value of estimated future cash flows, discounted at the original effective interest rate. Impairment loss associated with available-for-sale financial assets is calculated using the current fair value of the asset.

Impairment estimates of significant financial assets are carried out individually. The impairment of remaining financial assets is assessed collectively with regard to their common risk exposure characteristics.

All impairment losses are reported in the Company's statement of comprehensive income for the accounting period.

Impairment losses are derecognized if they can be objectively associated with events that occurred after their recognition. Impairment losses associated with financial assets that are stated at amortized cost and available-for-sale financial assets, which are considered debt instruments, are derecognized in the Company's income statement.

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying value of non-financial assets (with the exception of inventories and deferred tax receivables) to determine if there are any indications of impairment. If there are such indications, the asset's recoverable value is assessed. Impairment of goodwill and intangible assets with an indefinite useful life not yet available for use is reviewed at each reporting date.

The recoverable amount of assets or cash-generating units is the higher of their value in use or fair value reduced by costs of sale. In determining the asset's value in use, estimated future cash flows are discounted to their current value at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In order to test them for impairment, assets are consolidated into the smallest asset groups that generate cash inflows.

An impairment loss of an asset or cash-generating unit is recognized whenever its carrying amount exceeds its recoverable value. The impairment is recognized in the income statement.

With respect to other assets, impairment losses from previous periods are evaluated on the balance sheet date, determining whether or not there has been a reduction of loss and whether or not the loss still exists. Impairment losses are derecognized if the estimates that were used to determine the recoverable value of assets have changed. An impairment loss is derecognized to the extent that the asset's carrying value does not exceed the carrying value that would have been determined in the net amortized amount if no impairment loss had been recognized for the asset in previous years.

(f) Employee earnings

Liabilities from short-term employee earnings are measured on an undiscounted basis and are recognized as expenses as soon as the work performed by an employee and related to the short-term earning is completed.

(g) Provisions

Provisions are recognized if the Company has a present legal or constructive obligation as a result of a past event which can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Provisions for severance payments and long-service bonuses

Pursuant to the law, the collective agreement, and internal rules, the Company is obliged to pay long-service bonuses and severance payments to employees, and has created long-term provisions for this purpose. There are no other pension liabilities.

Provisions are created in the amount of estimated future severance payments and long-service bonuses, discounted at the end of the reporting period. A calculation was made for each employee, taking into account severance payment costs and costs of all the expected long-service bonuses until retirement. The calculation was prepared based on an actuarial calculation using the projected unit credit method.

(h) Revenues

(i) Revenues from goods sold

Revenues from goods sold are recognized at the fair value of payments received or the resulting receivables, reduced by returns, discounts, and quantity discounts. Revenues from sales are recognized at the moment when risks and benefits connected with the ownership of assets are transferred to the buyer, when the payment and the associated costs are certain, and when the Company ceases to have effective control over the goods sold. If discounts are likely to be offered and their amount can be measured reliably, they are recognized as revenue reductions at the time when the sale itself is recognized.

(ii) Revenues from services rendered

Revenues from services rendered are recognized in the income statement according to the stage of completion of individual transactions at the end of the reporting period. The stage of completion is assessed based on inspections of the work performed.

(iii) Commissions

If the Company acts as an intermediary in a transaction, and not as a parent company, the resulting net commission is disclosed as revenue.

(iv) Revenues from rents

Revenues from rents are recognized on a straight-line basis over the term of the lease.

(i) Leases

Payments from operating leases are recognized as revenues on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of total expenses from rents.

Minimum finance lease payments are classified as financial expenses and decreases of outstanding debt. Financial expenses are allocated over the term of the lease to determine a fixed interest rate for the remaining debt over individual periods.

The Company recognizes contingent payments from finance leases in an amount determined by revaluating minimum lease payments in the remaining period upon receipt of a rent change confirmation.

(j) Financial income and financial expenses

Financial income includes interest from investments, dividend revenues, revenues from the disposal of available-for-sale financial assets, changes in the fair value of financial assets through profit or loss, positive exchange rate differences, and gains from hedging instruments recognized in profit and loss. Interest revenues are recognized when they arise using the effective interest rate method.

Financial expenses include borrowing costs, negative exchange rate differences, changes in the fair value of financial assets at fair value through profit or loss, losses from impairments of financial assets, and losses from hedging instruments recognized in profit and loss. Borrowing costs are recognized in profit and loss using the effective interest rate method.

(k) Income tax

Income tax on the profit or loss in the business year includes current and deferred tax. Income tax is recognized in the income statement, except where it relates to business combinations or items recognized directly in equity, in which case it is recognized in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable revenue for the financial year, using tax rates in force or substantially in force at the end of the reporting period, and any adjustment to the tax payable in respect of previous years.

Deferred tax is disclosed taking into account temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the relevant amounts for tax reporting purposes. The following temporary differences are not taken into account: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, differences relating to investments in subsidiaries, and jointly controlled entities to the extent that they will probably not be reversed in the foreseeable future. Deferred tax is not recognized in the case of taxable temporary differences that occur at the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they are reversed based on laws that are in force or substantively in force at the end of the reporting period.

The Company must reconcile deferred tax assets and liabilities if it has an enforceable right to do so and if these receivables and liabilities relate to income tax for the same tax authority and the same taxable unit, or if the tax relates to different taxable units that intend to pay or receive the resulting net amount or settle their liabilities and reverse the receivables.

A deferred tax receivable is recognized to the extent that it is probable that future taxable profits will be available against which the receivable can be utilized. Deferred tax assets are reduced by the amount of tax benefits that are not expected to be realized.

(l) Segment reporting

An operating segment is a part of the Group that carries out business activities from which it generates income and incurs costs that relate to transactions with other members of the same Group. The Group did not define any operating segments in 2010, as all of its members are involved in the same activity, namely the sale and purchase of electricity.

(m) New standards and interpretations that have not entered into force

A number of new standards, amendments, and interpretations of standards for the business year ended on 31 December 2009 have not yet entered into force and were not considered in the preparation of the Company's financial statements:

1. Revised IFRS 3 Business Combinations (effective for annual periods from 1 July 2009)

The scope of the standard was changed and the definition of transactions expanded. The amended standard includes many other important changes, such as:

- all components of the purchase amounts transferred by the acquirer are measured and recognized at fair value at the acquisition date, including contingent amounts;
- a subsequent change of the contingent amounts is recognized in the income statement;
- transaction costs, excluding issuing costs for shares and debt securities, are treated as expenses on the day they arise; and
- an acquirer may choose to measure any minority interest at fair value at the acquisition date (total value of goodwill) or at a proportionate share of the fair

value of the identifiable assets and liabilities of the acquiree on a transaction-by-transaction basis.

The revised standard should not be applied to business combinations completed before it took effect, as it does not affect the financial statements or disclosed business combinations that took place before it entered into force.

The revised IFRS 3 has no impact on the Company's financial statements, as after this date it has not acquired stakes in subsidiaries, which would be affected by the revision.

2. Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods from 1 July 2009)

The revised standard replaces the term "minority interest" with the term "non-controlling interest", defining it as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". In addition, the standard changes the way non-controlling interests are treated, the loss of control over the subsidiary, and the distribution of profit or loss and total profits between the controlling and non-controlling interest.

The revised IAS 27 does not have any impact on the Group's financial statements, as no events that could be affected by it have taken place after its effective date.

3. Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods from 1 February 2010)

According to this amendment, rights, options, or warrants to acquire a fixed number of an entity's own equity instruments for a fixed price stated in any currency are defined as equity instruments if the entity offers to all of its existing owners of the same class the rights pro rata of its own non-derivative equity instruments.

The amendments to IAS 32 do not apply to the Company, as it has never issued such instruments.

4. Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods from 1 July 2010)

The revised standard specifies the use of existing principles, which determine whether or not special forms of cash flow risks or parts of cash flow may reflect hedge relationships. In order to prove hedge relationships, risks or parts must be measured and recognized separately, although inflation can only be determined under limited circumstances.

We assess that the revised IAS 39 will not have a significant effect on the Company's financial statements.

5. IFRIC 12 Service Concession Arrangements (effective in the first annual period from 1 April 2009)

The interpretation is intended for privately-owned entities and relates to the measurement and recognition of issues associated with the accounting approach to service concession arrangements in the public-private sector.

IFRIC 12 does not affect the Company's operations, as it has not concluded any service concession agreements.

6. IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods from 1 January 2010)

This interpretation clarifies that revenues from agreements for the construction of real estate are recognized on a percentage-of-completion basis in the following cases:

- a) the agreement is classified as a construction contract according to IAS 11.3;
- b) the agreement only applies to the provision of services as defined in IAS 18 (for example, there is no need for the Company to supply building material); and
- c) the agreement relates to the sale of goods; revenues are recognized as construction progresses according to provisions of the IAS 18.14.

In all other cases revenues are recognized when criteria from IAS 18.14 are met (for example, once construction is completed or following delivery).

IFRIC 15 does not affect the Company's financial statements, as it does not provide real estate construction or sale services.

7. IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods from 1 July 2009)

The interpretation clarifies the types of risk for which hedging instruments can be used, which company within a Group can hold a hedging instrument, whether or not the consolidation method affects the effectiveness of the hedge, the form of hedging instruments, and the amounts that are reclassified from equity to the income statement once the investment is disposed of.

IFRIC 16 does not affect the Company's financial statements, as it does not use or intend to use hedges of net investments in a foreign operation.

8. IFRIC 17 Distributions of Non-cash Assets to Owners (expected to be effective for annual periods from 1 November 2009)

This interpretation applies to all non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that a dividend payable is recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity, and should be measured at the fair value of the net assets to be distributed. The carrying amount of dividends is remeasured at each reporting date and any changes to it are recognized in equity as adjustments to the payment amount. Once the obligation to pay out dividends is settled, any difference between the carrying amount of the asset and the carrying amount of the dividend is recognized in profit and loss.

The Company does not distribute non-cash assets to owners.

9. IFRIC 18 Transfers of Assets from Customers (expected to be effective for annual periods from 1 November 2009)

According to this interpretation, the Company must recognize transferred assets at their fair value if they display the characteristics of property, plant, and equipment as defined by IAS 16 Property, Plant, and Equipment. The Company must also recognize the transfer amount as revenue. The time frame for recognizing these revenues depends on the facts and circumstances of individual agreements.

IFRIC 18 does not affect the Company's financial statements, as it does not normally receive assets from its customers.

IV.2.4 Determining fair value

In accordance with the Group's accounting policies, the measurement of the fair value of both financial and non-financial assets and liabilities is necessary in several instances. The fair value of individual asset groups for accounting and reporting purposes was determined using the methods described below. Where additional clarifications regarding the assumptions used to determine fair value are necessary, they are given in the breakdown of the Group's individual assets or liabilities.

(1) Property, plant, and equipment

The fair value of property, plant, and equipment from business combinations is equal to their market value. The market value of property is equal to the estimated value for which property, having been appropriately advertised, could be exchanged on the valuation date between knowledgeable and willing parties in an arm's length transaction. The market value of plant, equipment, and small tools is based on the quoted market price of similar objects.

(11) Intangible assets

The fair value of patents and trademarks acquired through business combinations is based on the discounted estimated future value of royalties whose payment will not be necessary due to the ownership of the patent or trademark. The fair value of customer relationships obtained through business combinations is determined using a special multi-period excess earnings method, and the value of individual assets is determined after the fair return from all assets that contribute to the cash flow is deducted.

(111) Operating and other receivables

The fair value of operating and other receivables, with the exception of unfinished construction work, is equal to the current value of future cash flows, discounted using a market interest rate at the end of the reporting period.

(iv) Derivatives

The fair value of forward contracts is equal to their quoted market price at the end of the reporting period if the market price is available. If the market price is not available, fair value is determined as the difference between the contractual value of the forward contract and its current bid value, taking into account the residual maturity of the contract and using a risk-free interest rate (based on government bonds).

(v) Non-derivative financial liabilities

Fair value for reporting purposes is calculated based on the present value of future principal and interest payments, discounted at a market interest rate at the end of the reporting period. The market interest rate for finance leases is determined by comparing such leases with similar lease contracts.

IV.2.5 Financial risk management

Overview of risks

GEN-I, d.o.o. is exposed to the following risks in its operations:

- financial risk,
- market risk, and
- operational risk.

GEN-I's prudent approach to risk management helps the Group maintain its high level of operational quality and is crucial for achieving its business goals. The use of standard methodology and risk management procedures enables quality risk assessment, timely responses, and minimum exposure of the Group to major risks. A detailed description of individual risks and the appropriate risk management procedures can be found in GEN-I's business report in Chapter II.5 Risk Management.

IV.2.6 Disclosure of items in the financial statements

Disclosure 1: Property, plant, and equipment

Amounts in €

Property, plant and equipment	31. 12. 2009	31. 12. 2008
Buildings	123,083	153,244
Other plant and equipment	313,315	327,089
Property, plant and equipment under construction and in production	3,069	0
Total property, plant and equipment	439,467	480,333

Property, plant and equipment in the amount of EUR 439,467 primarily refer to:

- investments in leased commercial premises in the amount of EUR 123,083;
- furniture and equipment in the amount of EUR 279,166;
- computer equipment in the amount of EUR 29,407; and
- company vehicle in the amount of EUR 7,811.

Changes in 2009

Amounts in €

Property, plant and equipment	Buildings	Other plant and equipment	Property, plant, and equipment under construction and in production and advances	Total
Cost				
Balance at 01/01/2009	192,212	470,995	0	663,207
Other acquisitions	0	0	131,407	131,407
Write-offs	0	-9,649	0	-9,649
Disposals	0	-2,915	0	-2,915
Other transfers	22,943	105,741	-128,338	345
Balance at 31/12/2009	215,155	564,171	3,069	782,395
Accumulated depreciation				
Balance at 01/01/2009	38,968	143,906	0	182,874
Write-offs	0	-9,649	0	-9,649
Disposals	0	-340	0	-340
Depreciation expense	53,103	116,939	0	170,043
Balance at 31/12/2009	92,072	250,856	0	342,928
Carrying amount at 01/01/2009	153,244	327,089	0	480,333
Carrying amount at 31/12/2009	123,083	313,315	3,069	439,467

In 2009, the Company invested EUR 131,407 in fixed assets. The majority of this was invested in:

- purchases of office equipment in the amount of EUR 65,207;
- purchases of computer equipment in the amount of EUR 30,793; and
- investments in leased commercial premises in the amount of EUR 22,943.

Changes in 2008

Property, plant and equipment	Buildings	Other plant and equipment	Property, plant, and equipment under construction and in production and advances	Total
Cost				
Balance at 01/01/2008	94,810	289,102	25,895	409,807
Other acquisitions	97,402	181,893	-25,895	253,400
Balance at 31/12/2008	192,212	470,995	0	663,207
Accumulated depreciation				
Balance at 01/01/2008	11,061	53,034	0	64,095
Depreciation expense	27,907	90,872	0	118,779
Balance at 31/12/2008	38,968	143,906	0	182,874
Carrying amount at 01/01/2008	83,749	236,068	25,895	345,712
Carrying amount at 31. 12. 2008	153,244	327,089	0	480,333

Disclosure 2: Intangible assets

Amounts in €

Intangible assets	31/12/2009	31/12/2008
Other intangible assets	358,065	324,246
Intangible assets under construction and development and advances	3,460	0
Total intangible assets	361,525	324,246

Carrying amount of other intangible non-current assets includes:

- software in the amount of EUR 358,065 (mainly software necessary to support the sale of electricity to end-customers); and
- intangible assets under development in the amount of EUR 3,460 (server software).

Changes in intangible assets in 2009

Amounts in €

Intangible assets	Other intangible assets	Intangible assets under construction	Total
Cost			
Balance at 01/01/2009	559,708	0	559,708
Other acquisitions	0	240,535	240,535
Write-offs	-64	0	-64
Other transfers	233,755	-237,075	-3,320
Balance at 31/12/2009	793,399	3,460	796,859
Accumulated amortization			
Balance at 01/01/2009	235,462	0	235,462
Write-offs	-64	0	-64
Depreciation expense	199,936	0	199,936
Balance at 31/12/2009	435,334	0	435,334
Carrying amount at 01/01/2009	324,246	0	324,246
Carrying amount at 31/12/2009	358,065	3,460	361,525

The EUR 233,755 increase in intangible fixed assets relates to other intangible fixed assets, mainly the software used to support the sale of electricity to end-customers (Affordable Electricity brand), which amounted to EUR 224,600, and other software required for the Company's operations.

Changes in intangible assets in 2008

Amounts in €

Intangible assets	Other intangible assets	Intangible assets under construction	Total
Cost			
Balance at 01/01/2008	312,476	29,430	341,906
Other acquisitions	217,802	0	217,802
Other transfers	29,430	-29,430	0
Balance at 31/12/2008	559,708	0	559,708
Accumulated amortization			
Balance at 01/01/2008	117,522	0	117,522
Depreciation expense	117,940	0	117,940
Balance at 31/12/2008	235,462	0	235,462
Carrying amount at 01/01/2008	194,954	29,430	224,384
Carrying amount at 31. 12. 2008	324,246	0	324,246

Disclosure 3: Investments in subsidiaries

Amounts in €

Group companies	% of ownership		Investment value		Equity of subsidiaries		Share capital of the majority owner	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
GEN-I d.o.o. Beograd	100.00 %	100.00 %	150,000	150,000	6,216,136	4,241,472	809,572	138,327
GEN-I Zagreb d.o.o.	100.00 %	100.00 %	204,910	2,724	566,461	119,819	205,479	2,719
GEN-I Budapest Kft.	100.00 %	100.00 %	203,915	203,915	2,377,938	1,298,760	187,540	187,477
GEN-I d.o.o. Sarajevo	100.00 %	100.00 %	512,847	512,847	580,481	511,292	511,292	511,292
GEN-I dooel Skopje	100.00 %	100.00 %	20,000	20,000	1,214,990	-35,032	19,781	20,271
GEN-I Tirana Sh.p.k.	100.00 %	100.00 %	46,452	0	4,130	0	43,557	0
GEN-I Athens SMLLC.	100.00 %	100.00 %	150,000	0	249,164	0	150,000	0
S.C. GEN-I Bucharest s.r.L.	100.00 %	100.00 %	500,000	0	491,607	0	497,274	0
Total			1,788,124	889,486	11,700,907	6,136,311	2,424,494	860,086

Amounts in €

Group companies	Assets of the subsidiary		Liabilities of the subsidiary		Revenue of the subsidiary		Net profit or loss of the subsidiary		Number of employees at the subsidiary	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
GEN-I d.o.o. Beograd	19,854,995	25,157,300	13,638,859	20,915,828	86,949,942	77,942,238	5,477,377	3,710,248	3	2
GEN-I Zagreb d.o.o.	6,735,734	9,007,643	6,169,273	8,887,823	25,236,086	18,120,249	241,666	91,546	1	1
GEN-I Budapest Kft.	19,836,190	12,528,817	10,258,252	11,230,058	129,228,124	42,813,402	1,069,761	1,207,297	1	1
GEN-I d.o.o. Sarajevo	6,716,358	522,973	6,135,877	11,681	17,907,619	0	69,189	0	1	1
GEN-I dooel Skopje	2,596,509	16,448	1,381,518	51,950	7,541,672	0	1,258,778	-54,780	1	1
GEN-I Tirana Sh.p.k.	35,545	0	31,415	0	245	0	-41,631	0	1	0
GEN-I Athens SMLLC.	1,840,387	0	1,591,223	0	5,292,033	0	99,164	0	1	0
S.C. GEN-I Bucharest S.R.L.	1,317,017	0	825,410	0	772,987	0	-5,662	0	1	0
Total	58,932,734	47,233,181	40,031,827	41,097,340	272,928,709	138,875,889	8,168,642	4,954,311	10	6

Investments in subsidiaries increased by EUR 898,638 in 2009 compared to previous year due to:

- the capital increase at the subsidiary GEN-I Zagreb d.o.o.; and
- founding of subsidiaries GEN-I Tirana Sh.p.k., GEN-I Athens SMLLC, and S.C. GEN-I BUCHAREST S.R.L.

Disclosure 4: Non-current receivables

Amounts in €

Non-current receivables	31/12/2009	31/12/2008
Operating receivables due from others	50,075	50,075
Other non-current financial receivables	13,015	7,200
Total non-current receivables	63,090	57,275

Non-current operating receivables in the amount of EUR 50,075 include a long-term deposit paid to the electricity exchange operator Borzen, d.o.o.

Other non-current financial receivables in the amount of EUR 13,015 comprise paid in life insurance premiums.

Disclosure 5: Operating receivables

Amounts in €

Operating receivables	31/12/2009	31/12/2008
Trade receivables - subsidiaries	11,141,732	12,104,515
Trade receivables - others	29,829,418	49,419,947
Trade receivables	40,971,150	61,524,462
Interest receivables due from subsidiaries	0	89,441
Interest receivables due from others	53,399	65,175
Interest receivables	53,399	154,616
Other operating receivables	3,403,481	12,666,509
Advances paid	369,351	2,966,781
Short term deferred costs and expenses	646,905	346,399
Short term accrued revenue	573,129	450,412
Total operating receivables	46,017,415	78,109,179

Receivables from customers resulting from regular operations accounted for the largest portion of operating receivables.

Most customers settled their receivables by the contractually agreed dates or with a slight delay. In the case of late payment, domestic and foreign customers were charged penalty interest at a contractually defined rate. With the exception of doubtful and disputed receivables, most of the Company's outstanding receivables were settled by the time this report was prepared.

Receivables from customers that purchase electricity and cross-border capacity rights based on general or annual agreements are usually secured with bills of exchange or bank guarantees. Such collateral is used for receivables that exceed the limits set for individual customers. Receivables from customers that have signed EFET general agreements with GEN-I are well-regulated by the agreements. In rare cases, the Company does not request any collateral for its receivables because of the customers' strategic position and/or financial stability.

Current advance payments in the amount of EUR 369,351 include:

- EUR 270,000 to BSP Southpool d.o.o.;
- EUR 70,080 to the University of Ljubljana, Faculty of Electrical Engineering;
- EUR 11,356 to KEK-Kosovo energy corporation J.S.C.;
- EUR 4,596 to KPMG Slovenija d.o.o.;
- EUR 3,000 to Studio Drevo d.o.o.; and
- EUR 10,319 to other business partners.

The majority of current deferred expenses in the amount of EUR 646,905 are represented by acquisitions of cross border transfer capacities for 2010.

Accrued revenues in the amount of EUR 573,129 are revenues from electricity that was already sold but will be invoiced in 2010 according to contractual provisions.

Age structure and impairment of receivables

Amounts in €

Impairment of receivables	Total outstanding receivables	Receivables not yet due	Receivables due			
			Up to 90 days	From 91 to 180 days	From 181 to 360 days	More than 360 days
	31/12/2009	31/12/2009				
Current trade receivables	41,219,232	35,376,888	5,523,652	72,729	90,610	155,353
Other current receivables	3,456,880	3,456,880	0	0	0	0
Current receivables for advances	369,351	369,351	0	0	0	0
Total current receivables	45,045,463	39,203,119	5,523,652	72,729	90,610	155,353
Impairment of receivables	248,082	0	0	0	0	248,082
Disputed and doubtful receivables	100,611	0	0	0	0	100,611
Impairment of disputed and doubtful receivables	100,611	0	0	0	0	100,611
Total receivables	45,146,074	39,203,119	5,523,652	72,729	90,610	255,964
Total impairment of assets	348,693	0	0	0	0	348,693

The Company created impairment of receivables in the amount of EUR 348,693. This includes EUR 100,611 of receivables for which the Company initiated court proceedings to collect debt or filed bankruptcy or liquidation proceedings in 2009. The remaining revaluation adjustments relate to outstanding receivables in the amount of EUR 248,082; based on information regarding the debtor's insolvency, the company does not expect to collect these amounts.

Impaired receivables from customers accounted for only 0.77% of all current operating receivables.

Changes in impairment of receivables

Amounts in €

Impairment receivables in accordance with the group's accounting policies	Impairment	Increase of impairment	Decrease of impairment	Impairment
	Balance at 01/01/2009	Generated from 01/01 to 31/12/2009		
Current trade receivables	220,051	44,841	-16,811	248,082
Disputed and doubtful receivables	57,091	68,565	-25,045	100,611
Total	277,142	113,407	-41,856	348,693

Amounts in €

Current receivables	31/12/2009			31/12/2008		
	Gross amount	Impairment	Carrying amount	Gross amount	Impairment	Carrying amount
Current trade receivables	41,219,232	-248,082	40,971,150	61,744,513	-220,051	61,524,462
Other current receivables	3,456,880	0	3,456,880	12,821,125	0	12,821,125
Current advances	369,351	0	369,351	2,966,781	0	2,966,781
Disputed and doubtful receivables	100,611	-100,611	0	57,091	-57,091	0
Total	45,146,074	-348,693	44,797,381	77,589,510	-277,142	77,312,368

Disclosure 6: Other financial investments and derivatives

Amounts in €

Other financial investments including derivatives	31/12/2009	31/12/2008
Derivatives	326,265	98,113
Loans to subsidiaries	0	2,908,985
Loans to others	1,000,000	2,500,000
Total current investments and loans	1,326,265	5,507,098

Derivatives in the amount of EUR 326,265 result from contracts that were concluded in order to:

- hedge electricity prices against currency risks: EUR 291,030 (Nova Ljubljanska banka, d.d.); and
- hedge against unforeseen price differences between the various price zones in Italy: EUR 35,235 (Terna ELETTRICA NAZIONALE SPA).

Current loans in the amount of EUR 1,000,000 relate to a loan to an affiliated company (Istrabenz Gorenje energetske sistemi, d.o.o.). The collateral for the loan, which matures on 17 December 2010, is a blank bill of exchange. The interest rate charged for the loan is 4.1%.

Disclosure 7: Cash and cash equivalents

Amounts in €

Cash and cash equivalents	31/12/2009	31/12/2008
Cash in banks	5,901,488	2,233,023
Call deposits	4,399,976	0
Cash in hand	169	177
Cash and cash equivalents	10,301,633	2,233,200

The company's cash and cash equivalents include cash in hand, bank account balances, and call deposits with commercial banks.

Disclosure 8: Share capital and reserves

Share capital comprises the owners' cash contributions.

The Company only maintains legal reserves.

In line with the provisions of the Companies Act, the Company transferred EUR 493,891 of its net operating profit to legal reserves, increasing their amount as at 31 December 2009 to EUR 982,083 or 7.6% of its share capital.

Retained earnings

Amounts in €

Retained earnings	31/12/2009	31/12/2008
Net profit or loss for the period	9,383,939	4,955,222

Retained earnings only include profit generated during the business year 2009.

Allocation of undistributed net profit from 2008

In the 2009 business year, all profits from the previous year (EUR 4,955,222) were paid out to shareholders following a decision of the general meeting of shareholders that was held in June 2009.

Distributable profit from 2009

Net profit for the business year amounted to EUR 9,877,830. In accordance with the law, a part of the net profit was used to create legal reserves in the amount of EUR 493,891. As at 31 December 2009, retained (distributable) profit amounted to EUR 9,383,939.

Based on Article 20 of the Memorandum of Association and Article 494 of the Companies Act, the Company's management board will submit a proposal to the general meeting of shareholders, requesting that the entire distributable profit from the 2009 business year in the amount of EUR 9,383,939 be distributed to shareholders as follows:

- 50% or EUR 4,691,969.50 of the distributable profit to Istrabenz Gorenje energetske sistemi, d.o.o.; and
- 50% or EUR 4,691,969.50 of the distributable profit to GEN energija, d.o.o.

Disclosure 9: Loans

Amounts in €

Short-term loans and borrowings	31/12/2009	31/12/2008
Borrowings from banks	3,000,000	14,082,098
Total current financial liabilities	3,000,000	14,082,098

At the reporting date, the Company's liabilities from loans included just one loan of EUR 3,000,000 received from a Slovenian commercial bank at a fixed interest rate of 5.4%; collateral for the loan is in the form of bills of exchange.

Disclosure 10: Non-current provisions

The company created provisions for severance payments and jubilee bonuses based on the carrying amount of its liabilities to employees.

Their amount was determined based on an actuarial calculation of future payments to each employee, taking into account the costs of severance payments upon retirement and the costs of all estimated jubilee bonuses until the day of retirement. The chosen discount interest rate was 5.45 % p.a., which was the return on 10-year gilt-edged corporate bonds in the euro area at the end of November 2009.

Amounts in €

Provisions	Provisions for severance payments and jubilee bonuses	
	2009	2008
Balance at 01/01	44,645	36,101
Creation of provisions	20,622	8,544
Use of provisions	-2,768	0
Balance at 31/12	62,499	44,645
Of which non-current portion	62,498	44,645

Disclosure 11: Deferred taxes

Amounts in €

Deferred taxes relating to	Receivables		Liabilities		Net effect	
	2009	2008	2009	2008	2009	2008
Property, plant, and equipment	40,061	23,542	0	0	40,061	23,542
Provisions for severance payments and jubilee bonuses	10,705	8,469	0	0	10,705	8,469
Deferred tax assets (liabilities)	50,766	32,011	0	0	50,766	32,011

Deferred taxes cover temporary difference between the carrying amount of assets and liabilities for financial reporting and for taxation purposes. The deferred tax assets stated in this report relate to the corporate income tax calculated based on temporary deductible differences, resulting in lower payments in future periods.

All of the Company's deferred tax assets are recognized in the income statement. In 2009, the Company recorded an increase in deferred tax assets based on the following changes:

- non-deductible tax provisions in the amount of 50% were created in 2009 for severance payments and long-service bonuses; and
- provisions for the depreciation of fixed assets for which depreciation exceeded the amount deductible for tax purposes.

Changes in temporary differences

Amounts in €

Changes in temporary differences in the period	31/12/2007	Recognized in the income statement	Recognized in equity	31/12/2008	Recognized in the income statement	Recognized in equity	31/12/2009
Intangible assets	12,356	11,186	0	23,542	16,519	0	40,061
Financial liabilities	7,076	1,393	0	8,469	2,236	0	10,705
Total	19,432	12,579	0	32,011	18,755	0	50,766

As at 31 December 2009, the Company had EUR 50,766 in deferred tax assets, comprising temporary differences from intangible assets in the amount of EUR 40,061 and provisions for severance payments and jubilee bonuses in the amount of EUR 10,705.

Disclosure 12: Current operating liabilities

Amounts in €

Current operating liabilities	31/12/2009	31/12/2008
Current liabilities for advances received	802,563	884,072
Current trade payables	13,695,860	31,692,606
Current trade payables to subsidiaries	7,040,797	15,189,961
Current operating liabilities on behalf of third parties	0	535
Current liabilities to employees	428,815	238,602
Current liabilities to state and other institutions	415,471	11,158,923
Current liabilities to others	32,714	9,046
Current liabilities	22,416,220	59,173,745
Current interest payable to subsidiaries	2,048	0
Current interest payable to others	13,808	0
Current interest payable	15,856	0
Accrued costs and expenses	11,586,705	885,973
Deferred revenue	23,375	0
Current operating liabilities	34,042,156	60,059,718

Current liabilities for advances received relate to advances received for electricity sales to domestic and foreign entities.

Current trade payables mainly include current liabilities to electricity suppliers and electricity-related costs.

Current trade payables to subsidiaries include liabilities for electricity purchased and services rendered.

Current liabilities to employees comprise liabilities for December salaries and other employee earnings.

Current liabilities to state and other institutions include liabilities for VAT, excise duties, health and pension contributions for December salaries, and contributions for other employee earnings payable by the employer.

Accrued costs and deferred revenues include the following:

1. Accrued costs or expenses in the amount of EUR 11,586,705 are those that are recognized within financial statements based on contracts signed in 2009, although invoices were not yet received until preparation of the statements. Accrued costs include:
 - electricity purchases in the amount of EUR 10,987,321;
 - expenses arising from differences between the expected electricity supply and consumption according to schedules and actual realization in the amount of EUR 327,500;
 - cross-border transfer capacity purchases in the amount of EUR 31,386;
 - fees associated with electricity purchases and sales in the amount of EUR 13,557;
 - purchases of derivatives (CCC) in the amount of EUR 25,668;
 - software and computer equipment maintenance costs in the amount of EUR 15,276;
 - auditing services in the amount of EUR 5,107;
 - payroll accounting services in the amount of EUR 4,276;
 - lease of commercial premises in the amount of EUR 17,520;
 - banking services in the amount of EUR 9,170;
 - costs of student work in the amount of EUR 11,274;
 - promotion services in the amount of EUR 5,700;
 - postal and telecommunications services in the amount of EUR 13,593; and
 - other operating expenses in the amount of EUR 119,357.
2. Non-current deferred revenues in the amount of EUR 23,375 comprise unrealized penalty interest in 2009.

Disclosure 13: Contingent liabilities

Amounts in €

Contingent liabilities	31/12/2009	31/12/2008
Guarantees and securities - other	62,592,940	47,739,927
Guarantees and securities - subsidiaries operating abroad	35,271,305	0
Total	97,864,245	47,739,927

Bank guarantees and securities include payment guarantees, performance bonds, and bid bonds. Securities issued to subsidiaries relate to securities for timely and reliable payment.

Disclosure 14: Fair values

Amounts in €

Fair values	31/12/2009		31/12/2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets at amortized cost				
Non-current financial receivables	13,015	13,015	7,200	7,200
Non-current operating receivables	50,075	50,075	50,075	50,075
Current loans	1,000,000	1,000,000	5,408,985	5,408,985
Operating receivables	44,428,029	44,428,029	74,345,587	74,345,587
Cash and cash equivalents	10,301,633	10,301,633	2,233,200	2,233,200
Liabilities at amortized cost				
Liabilities from borrowings at fixed interest rate	-3,000,000	-3,089,428	0	0
Liabilities from borrowings at variable interest rate	0	0	-14,082,098	-14,085,051
Current operating liabilities	-21,629,513	-21,629,513	-58,289,673	-58,289,673
Total	31,163,239	31,073,811	9,673,276	9,670,323

Disclosure 15: Revenues

The Company's revenues include operating, financial and other revenues.

Amounts in €

Revenue	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Revenues from sale of services	2,105	27,759
Rental income	993	11,235
Revenues from sale of goods and materials	421,720,683	320,705,881
Total	421,723,781	320,744,875

Revenues from electricity sales in Slovenia and abroad accounted for the majority of the Company's net sales revenue, which included:

- sales abroad in the amount of EUR 263,620,979; and
- sales in Slovenia in the amount of EUR 158,102,802.

Amounts in €

Income generated in Slovenia or abroad	Slovenia	Abroad	Total
	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2009
Revenues from sale of services	0	2,105	2,105
Rental income	0	993	993
Revenues from sale of goods and materials	158,102,802	263,617,881	421,720,683
Total	158,102,802	263,620,979	421,723,781

In 2009, the company generated 37,5% of its revenues from goods sold in Slovenia and 62,5 % of its revenues from goods sold abroad.

Amounts in €

Other operating income	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Other operating income	3,011	141,976
Revenues from subsidies, government grants, and compensation	2,560	0
Total	5,571	141,976

Other operating revenues in the amount of EUR 3,011 are reversed excess payroll expenses from the previous year.

Revenues from subsidies, government grants, and compensation included subsidies from the Slovenian Technology Agency (TIA) for projects carried out by research assistants.

Disclosure 16: Costs of goods, materials, and services

Amounts in €

Costs of materials	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Costs of energy	52,143	38,583
Materials and spare parts	14,013	24,964
Office supplies	78,549	35,382
Other costs of materials	9,853	0
Total	154,558	98,929

The costs of electricity and office supplies increased in 2009 compared to previous year due to growing volume of the Company's operations, while costs of materials and other costs remained almost at the same level.

Amounts in €

Costs of services	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Maintenance	174,395	26,808
Rents	625,163	473,574
Bank charges and other fees	675,032	228,389
Intellectual services	1,055,390	530,209
Contractual work, meeting attendance fees and student work	282,773	160,925
Advertising, sales promotion and public relations	532,764	38,619
Sponsorships	91,298	59,940
Insurance	18,973	46,709
Entertainment	35,858	35,829
Costs of employees' business travels	74,276	37,213
Telecommunication	158,887	11,070
Public utility services	1,294	754
Cleaning	12,967	9,781
Training	56,209	27,075
Other services	376,856	327,976
IT costs	17,256	152,139
Total	4,189,391	2,167,010

- Maintenance costs in the amount of EUR 174,395 mainly refer to the maintenance of IT equipment.
- Costs of rents which totaled EUR 625,163 comprise the lease of commercial premises (EUR 302,438), the lease and maintenance of computer equipment (EUR 296,098) and costs of rental vehicles (EUR 26,627).
- Bank charges and other fees totaled EUR 675,032 in 2009.
- The costs of intellectual services in the amount of EUR 1,055,390 included: human resource services (consulting, recruitment), legal and notary fees, auditing and accounting services, and business and tax consultancy services.
- Costs of contractors, contractual work, and temporary student work in 2009 totaled EUR 282,773.
- Advertising costs amounted to EUR 532,764.
- Sponsorships costs, mainly for sports and cultural events, amounted to EUR 91,298 in 2009.
- Insurance costs in the amount of EUR 18,973 included premiums for car insurance, additional health insurance for employees, and collective additional pension insurance.
- Entertainment costs in 2009 amounted to EUR 35,858.
- The costs of employees' business travels totaled EUR 74,276.
- Costs of postal and telecommunications services amounted to EUR 158,887.
- The Company earmarked EUR 56,209 for employee training in 2009.
- Costs of other services in the amount of EUR 376,856 included costs of logistics services (EUR 109,637), fees and concessions (EUR 149,578), costs of accessing various databases (EUR 58,987), licensing costs (EUR 21,855), and costs for preparation of the annual report (36,799 EUR).
- Costs of computer services amounted to EUR 17,256 in 2009.
- Other costs of services in the amount of EUR 14,261 include public utility services (EUR 1,294) and cleaning services (EUR 12,967).

Amounts in €

Minimum lease payments under noncancellable operating lease	2009	2008
<1 year	273,840	258,240
>1 <5 years	249,300	448,740
Total	523,140	706,980

Liabilities from long-term contracts signed for the lease of commercial premises in Ljubljana and Nova Gorica are expected to amount to at least EUR 523,140 in the next years.

Disclosure 17: Labor costs

Amounts in €

Labor costs	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Wages and salaries	2,446,092	1,804,818
Social security contributions	406,516	265,293
Other labor costs	338,630	170,123
Total	3,191,238	2,240,234

Labor costs include wages and salaries, social security contributions, additional pension insurance, and other labor costs (allowances for meal expenses, travel costs, holiday allowances pay, jubilee bonuses, etc.).

In 2009, the Company calculated labor costs in accordance with the Collective Agreement for the Slovene Electricity Industry, the Company's current job classification and individual employment contracts.

Disclosure 18: Amortization and depreciation

Amounts in €

Amortization and depreciation	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Amortization of intangible assets	199,936	117,940
Depreciation of property, plant and equipment	170,042	118,779
Total	369,978	236,719

Amortization/depreciation is calculated using the straight-line depreciation method at rates that are adjusted to the useful lives of individual assets and investments in fixed assets owned by third parties are depreciated over the term of the lease. In 2009, amortization and depreciation amounted to EUR 369,978.

Disclosure 19: Other operating expenses

Amounts in €

Other operating expenses	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Taxes and levies	18,262	0
Donations	15,600	4,000
Impairment and write-offs of property, plant and equipment	2,975	0
Provisions	20,622	8,543
Other operating expenses	812,135	138,428
Total	869,594	142,428

Other operating expenses in the amount of EUR 812,135 include:

- damages and remedies paid in the amount of EUR 633,808;
- not tax deductible expenses in the amount of EUR 40,100;
- expenses associated with obtaining access rights to databases in the amount of EUR 73,238;
- membership fees in the amount of EUR 39,940; and
- contributions to political organizations, losses from the sale of property, plant and equipment and intangible assets, and duties paid in the amount of EUR 25,049.

Amounts in €

Donations	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Humanitarian purposes	5,450	0
Educational purposes	1,550	3,200
Sports purposes	4,800	800
Cultural purposes	3,000	0
Environmental purposes	800	0
Total	15,600	4,000

Disclosure 20: Profit or loss from financing

Amounts in €

Profit or loss from financing	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Dividend income from interests in subsidiaries	3,182,381	0
Interest income	198,446	297,812
Change in fair value of derivatives	3,887,589	0
Net foreign exchange gains	27,781	0
Other financial income	72,684	156,805
Reversal of write-offs	41,856	227
Financial income	7,410,737	454,844
Interest expense on financial liabilities	-426,214	-557,388
Impairment loss on trade receivables	-123,079	-277,142
Change in fair value of derivatives	0	-1,882,017
Net foreign exchange losses	0	-106
Other financial expenses	-55,574	0
Financial expenses	-604,867	-2,716,653
Profit or loss from financing	6,805,870	-2,261,809

In 2009, the Company's subsidiary GEN-I, d.o.o., Beograd paid out dividends in the amount of EUR 3,182,381.

Revenues from interest amounted to EUR 198,446 and included interest from loans and deposits. Interest expenses included interest on loans received from banks in total amount of EUR 426,214.

The net result of exchange rate differences was amounts to EUR 27,781.

Write-offs relate to impairments of receivables due to customers' inability to settle their obligations. The Company has established criteria for evaluating major debtors and the Company's exposure to significant risks. Such debtors and risks are constantly monitored in order to reassess the Company's approach to them. The Company has also developed criteria for identifying receivables from debtors which are handed over to the unit responsible for collecting disputed receivables. If the Company finds that exposure to individual debtors can be restructured in a satisfactory way, it drafts a restructuring plan and then monitors its execution and effects. If debtors file for bankruptcy, the Company ensures that the relevant departments and contractors are involved in the process of collecting collateral (if the company's exposure was secured).

Based on internal guidelines, the Company has defined several different impairment categories. The reason for impairment is assessed based on past experience with individual partners and future expected inflows from these partners. The Company's impairment criteria include the following:

- payments of operating receivables more than 180 days in arrears;
- publicly known cash flow difficulties;
- breach of business contracts or conditions; and
- bankruptcy or other legal procedures that may result in a loss for the Company.

Each year, the Company creates impairments in the amount of the estimated losses from operating and other receivables. These adjustments consist of two main elements: a part of the loss associated with major individual risks, and impairment due to losses that were generated but have not yet been defined. Last year, revenues from the reversal and payment of impaired receivables amounted to EUR 41,856, while expenses from the impairment of receivables amounted to EUR 123,079. Revaluation adjustments in the business year accounted for EUR 113,407 and directly impaired receivables for EUR 9,672 of this amount.

Other financial income and expenses mainly include VAT that is not tax deductible, the rounding differences, and the reversal of costs of financial transactions from previous years.

In addition to bilateral purchase and sale agreements (for electricity delivered at a fixed price that is determined in advance), GEN-I, d.o.o. uses various financial instruments to hedge open positions in its trading portfolio. In 2009, the Company's portfolio again included standardized financial derivatives, which are traded on the German Electricity Exchange EEX (European Energy Exchange AG). Because of the immediate (daily) financial settlement, gains or losses from these instruments are realized at the time their value changes and not in the period to which they actually relate.

In order to provide collateral for purchase and sale agreements concluded on the Italian electricity market, the Company signed bilateral long-term financial agreements with various Italian partners in 2009, linking their effects to electricity exchange prices in the relevant Italian regions. The financial result of these agreements depends on the difference between the agreed contractual price and the national price (PUN) achieved on the Italian Electricity Exchange IPEX (GEM - Gestore del Mercato Elettrico SpA). With such agreements the Company successfully mitigates risks associated with unforeseen changes in Italian prices of electricity.

The net result from derivatives in 2009 amounts to EUR 3,887,589.

Disclosure 21: Taxes

Amounts in €

Taxes	2009	2008
Current tax	1,827,177	1,578,707
Deferred tax	-18,755	-12,579
Total	1,808,422	1,566,128

In 2009, the Company reported and settled income tax in the amount of EUR 1,827,177 and deferred tax assets in the amount of EUR 18,755.

Deferred tax assets of EUR 18,755 include additional provisions for severance payments and jubilee bonuses in the amount of EUR 2,236 and amortization of non tax deductible intangible fixed assets in the amount of EUR 16,519. Taxes were calculated using the 20% tax rate that will enter into force in 2010.

At the end of the reporting period, the Company recorded a total of EUR 50,766 in deferred tax assets.

Amounts in €

Effective tax rate	2009	2008
Gross profit before tax	11,686,254	6,782,152
Statutory tax rate	21 %	22 %
Income tax at statutory tax rate, prior to changes in tax base	2,454,113	1,492,073
Tax exempt income	-673,474	0
Non-deductible expenses	48,885	85,170
Tax relief	-21,102	-12,266
Other differences	0	1,151
Effective tax rate	15.47 %	23.09 %
Current and deferred income tax	1,808,422	1,566,128

Disclosure 22: Transactions with affiliates

Gross earnings of key management personnel

Current year (2009)

Amounts in €

Gross earnings of key management personnel	Gross			Total
	Fixed portion of remuneration	Variable portion of remuneration	Other remuneration	
President of the Management Board	25,045	62,114	0	87,159
Vice-president of the Management Board	0	15,050	0	15,050
Member of the Management Board responsible for sales	95,529	87,308	9,606	198,288
Member of the Management Board responsible for trading	95,594	87,363	7,851	196,928
Total	216,168	251,835	17,457	485,460

Previous year (2008)

Amounts in €

Gross earnings of key management personnel	Gross			Total
	Fixed portion of remuneration	Variable portion of remuneration	Other remuneration	
President of the Management Board	24,000	64,374	0	88,374
Vice-president of the Management Board	0	36,587	0	36,587
Member of the Management Board responsible for sales	110,077	109,478	4,707	224,262
Member of the Management Board responsible for trading	109,992	109,478	296	219,766
Total	244,069	319,917	5,003	568,989

Financial instruments and risk exposure

Disclosure 23: Credit risk

Amounts in €

Items	31/12/2009	31/12/2008
Non-current receivables	63,090	57,275
Current trade receivable	40,971,150	61,524,462
Other current receivables	3,826,231	15,787,906
Current loans	1,000,000	5,408,985
Cash and cash equivalents	10,301,633	2,233,200

Amounts in €

Trade receivables	Carrying amount	
	2009	2008
Domestic	25,627,079	32,646,576
Euro area countries	7,154,147	20,545,808
Other European countries	4,202,339	0
Countries of former Yugoslavia	3,987,585	8,332,079
Total	40,971,150	61,524,462

Amounts in €

Trade receivables	Carrying amount	
	2009	2008
Wholesale customers	20,114,403	49,009,908
Retail customers	20,856,747	12,514,494
End-user customers	0	60
Total	40,971,150	61,524,462

Disclosure 24: Liquidity risk 2009

2009

Amounts in €

Financial liabilities	Carrying amount	Contractual cash flows	Up to 6 months	6 - 12 months
Non-derivative financial liabilities				
Secured bank loans	3,000,000	3,089,428	0	3,089,428
Trade and other payables	22,432,076	22,432,076	22,432,076	0
Total	25,432,076	25,521,504	22,432,076	3,089,428

2008

Amounts in €

Financial liabilities	Carrying amount	Contractual cash flows	Up to 6 months
Non-derivative financial liabilities			
Secured bank loans	14,082,098	14,085,051	14,085,051
Trade and other payables	59,176,698	59,176,698	59,176,698
Total	73,258,796	73,261,749	73,261,749

Disclosure 25: Currency risk

Amounts in €

Receivables and liabilities	31/12/2009	31/12/2008
Trade receivables	40,971,150	61,524,462
Secured bank loans	-3,000,000	-14,085,051
Trade payables	-20,736,657	-46,882,567
Gross exposure of financial position	17,234,493	556,844
Estimated forecast sales	328,284,424	331,784,650
Estimated forecast purchases	-316,837,900	-321,814,018
Gross exposure	11,410,524	9,970,632
Net exposure	28,645,017	10,527,476

Disclosure 26: Interest-rate risk

Amounts in €

Financial instruments	Carrying amount	
	2009	2008
Fixed rate instruments		
Financial assets	1,000,000	4,308,985
Financial liabilities	3,000,000	0
Variable rate instruments		
Financial liabilities	0	14,085,051

IV.3 Events after the statement of financial position date

No events occurred after the reporting date that could affect the Company's 2009 financial statements.

IV.4 Statement by the management board

The management board hereby certifies that this annual report and all of its components were prepared and published in accordance with the Companies Act and the International Financial Reporting Standards.

The management board hereby approves the financial statements of GEN-I, d.o.o. for the business year that ended on 31 December 2009, including the notes to the financial statements as defined in the accounting report.

The management board certifies that all relevant accounting principles were consistently used in drafting the Company's financial statements. Accounting estimates were prepared according to the principles of prudence and due diligence. The management board certifies that this annual report provides a true and fair picture of GEN-I, d.o.o.'s assets and performance in 2009.

The financial statements with notes were prepared on a going concern basis and in line with the relevant legislation and International Financial Reporting Standards.

Martin Novšak
Vice President of the Management Board



Robert Golob, PhD
President of the Management Board



Krško, 4 March 2010

IV.5 Certified auditor's report



Independent Auditor's Report

To the Shareholders of GEN-I, trgovanje in prodaja električne energije, d.o.o. Krško

We have audited the accompanying financial statements of the company GEN-I, trgovanje in prodaja električne energije, d.o.o. Krško which comprise the statement of financial position as at 31 December 2009, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of GEN-I, trgovanje in prodaja električne energije, d.o.o. Krško as at 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

KPMG SLOVENIJA,

podjetje za reviziranje, d.o.o.

Marjan Mahnič, B.Sc.Ec.

Certified Auditor

Partner

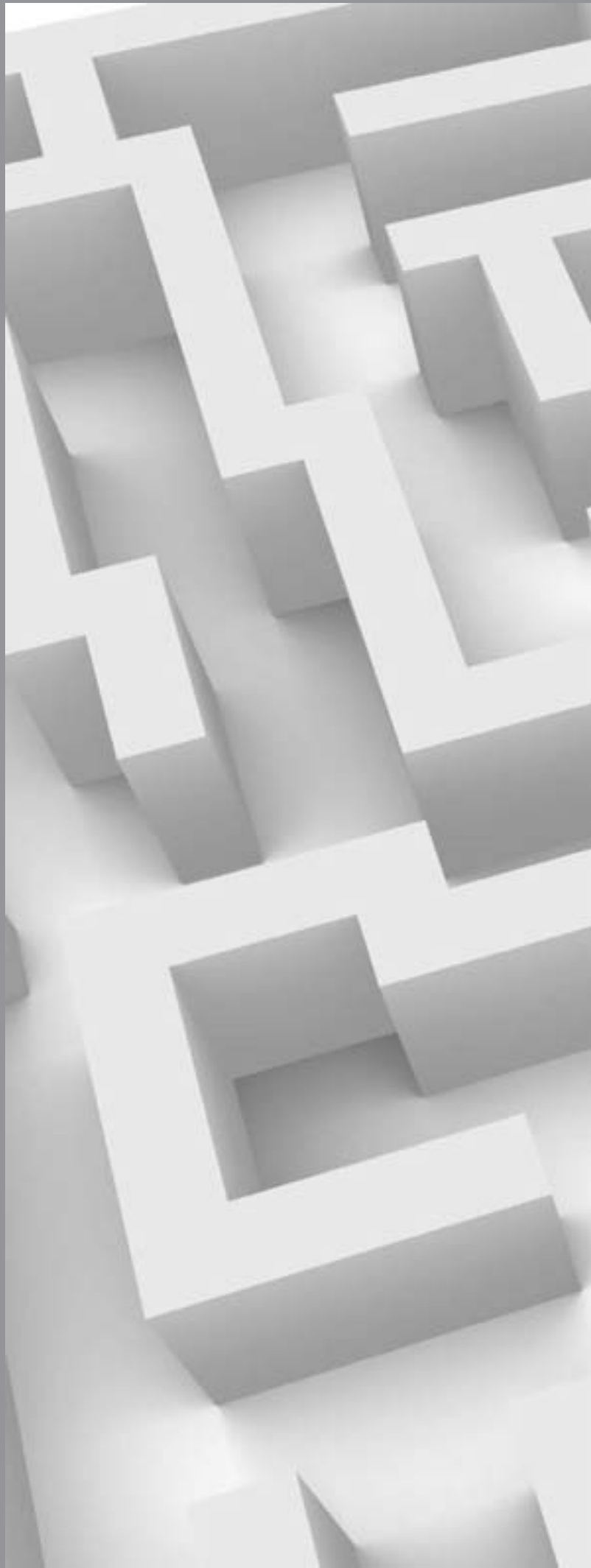
Ljubljana, 15 March 2010

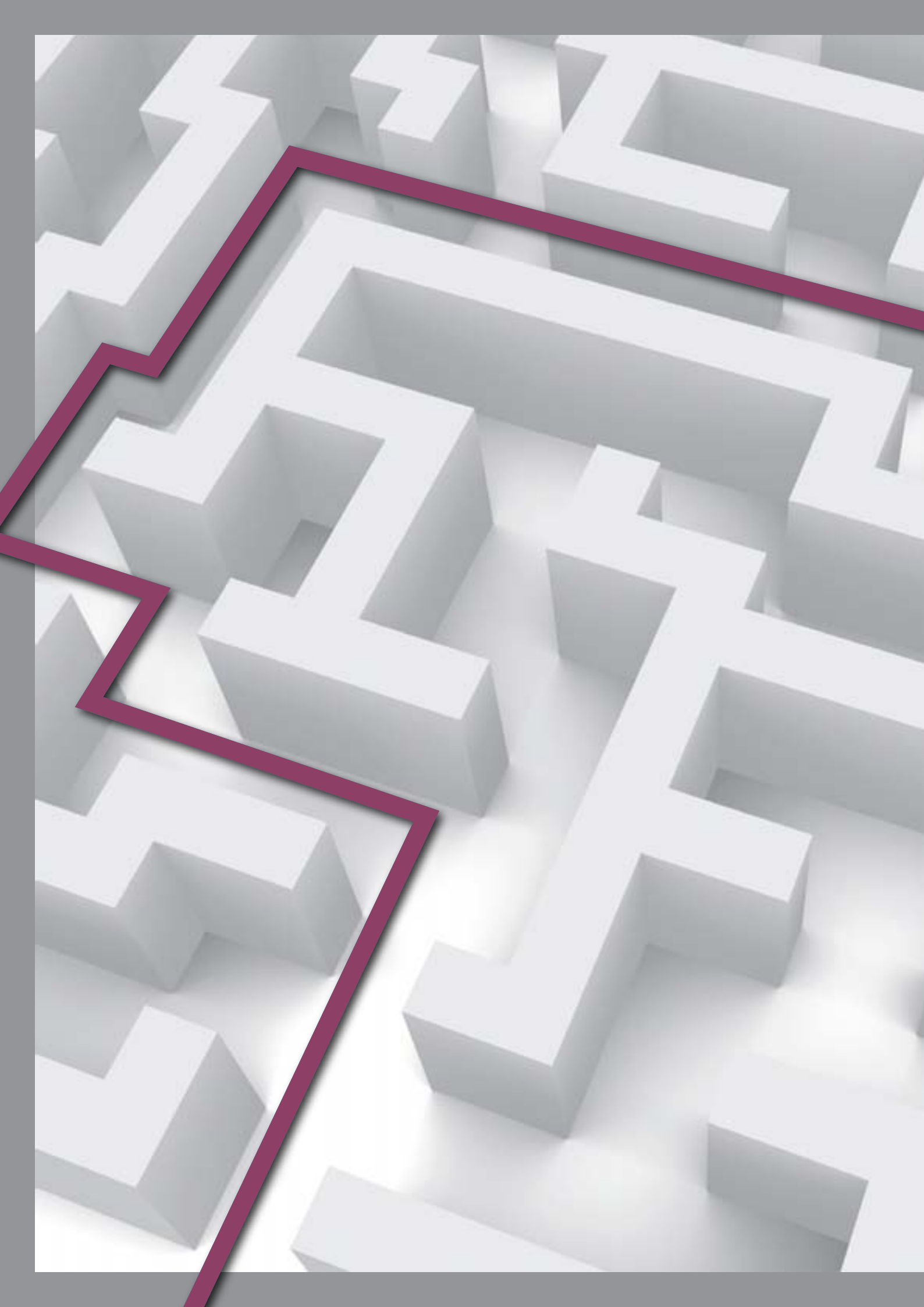
KPMG Slovenija, d.o.o.
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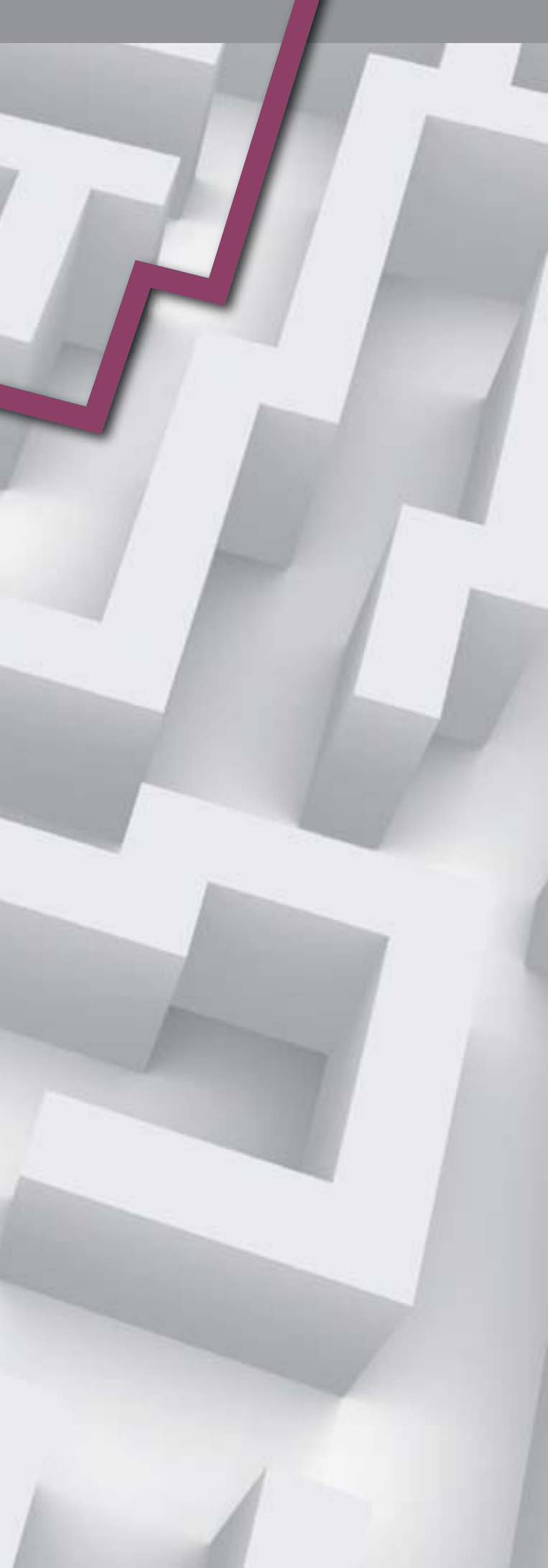
The Independent Auditor's Report herof is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only and is not to be signed.

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V. Consolidated
financial statements
and notes
GEN-I Group 2009

V.1 Introduction

The GEN-I Group, for which the consolidated financial statements are prepared, includes the parent company GEN-I, d.o.o. and the following fully owned subsidiaries:

- GEN-I d.o.o., Beograd
- GEN-I Zagreb d.o.o.
- GEN-I Budapest Kft.
- GEN-I d.o.o. Sarajevo
- GEN-I DOOEL Skopje
- GEN-I Tirana Sh.p.k.
- GEN-I Athens SMLLC
- S.C. GEN-I Bucharest S.R.L.

V.2 The Group's financial statements

V.2.1 Consolidated statement of financial position

Amounts in €

Items	Note	31/12/2009	31/12/2008
Property, plant and equipment	1	471,512	481,124
Intangible assets	2	366,479	324,247
Non-current receivables	3	63,090	57,275
Deferred tax assets	10	50,766	32,011
Non-current assets		951,847	894,657
Trade and other receivables	4	60,191,503	79,185,024
Other investments including derivatives	5	1,360,362	4,423,617
Current tax assets	4	342,731	0
Cash and cash equivalents	6	15,752,693	4,603,302
Current assets		77,647,289	88,211,943
Assets		78,599,136	89,106,600
Share capital		12,877,610	8,000,000
Reserves		752,314	-77,628
Retained earnings		19,562,697	10,751,144
Equity	7	33,192,621	18,673,516
Long-term provisions	9	62,498	44,645
Non-current liabilities		62,498	44,645
Short-term loans and borrowings	8	3,000,000	14,082,428
Other current financial liabilities		0	46,393
Trade and other payables	11	42,344,017	56,259,618
Current liabilities		45,344,017	70,388,439
Liabilities		45,406,515	70,433,084
Total equity and liabilities		78,599,136	89,106,600

V.2.3 Consolidated statement of comprehensive income

Amounts in €

Items	Note	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Sales revenues	14	456,764,823	377,964,839
Other operating income	14	18,116	184,238
Costs of goods sold	15	-432,038,242	-357,949,439
Costs of materials	15	-569,288	-130,319
Costs of services	15	-5,082,778	-2,664,325
Labor costs	16	-3,806,648	-2,459,493
Depreciation and amortization	17	-376,178	-236,761
Other operating expenses	18	-727,701	-343,364
Operating profit or loss		14,182,104	14,365,376
Financial income	19	4,228,224	811,825
Financial expenses	19	-620,303	-2,723,848
Profit or loss from financing		3,607,921	-1,912,023
Profit before tax		17,790,025	12,453,353
Income tax expense	20	-2,869,957	-2,289,504
Profit or loss for the period		14,920,068	10,163,849

Amounts in €

Other comprehensive income	Note	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Profit/loss for the period		14,920,068	10,163,849
Total comprehensive income for the period		14,920,068	10,163,849

V.2.3 Consolidated statement of cash flows

Amounts in €

Items	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Cash flows from operating activities		
Net profit or loss for the period	14,920,068	10,163,849
Adjustments for:		
Depreciation and amortization	376,178	236,761
Write-offs of property, plant and equipment	2,975	0
Reversal of negative goodwill	-3,517	-10,027
Reversal of write-offs and write-offs of liabilities	0	-227
Loss on sale of property, plant and equipment, intangible assets, and investment property	451	0
Non-monetary expenses	8	0
Financial income	-4,228,224	-811,825
Financial expenses	620,303	2,723,848
Income tax	2,869,957	2,289,504
Operating profit before changes in net current assets and taxes	14,558,199	14,591,883
Changes in net current assets and provisions		
Change in receivables	18,898,031	-49,843,925
Change in operating liabilities	-13,704,154	35,285,604
Change in provisions	17,853	8,544
Income tax paid	-3,231,443	-2,246,680
Net cash flow from operating activities	16,538,486	-2,204,574
Cash flows from investing activities		
Interest received	313,046	-7,426,791
Proceeds from sale of property, plant and equipment, and intangible assets	2,124	0
Proceeds from sale of other financial assets	0	-20,000
Receipts from decrease in loans given	168,697,462	2,500,000
Proceeds for settlement of derivatives	7,706,875	0
Acquisitions of property, plant and equipment, and intangible assets	-415,031	-452,039
Acquisitions of other investments	-5,815	-3,600
Expenses for increase in loans given	-165,488,081	-4,326,212
Payments for settlement of derivatives	-4,145,551	-1,882,349
Net cash from investing activities	6,665,028	-11,610,991
Cash flows from financing activities		
Interest paid	-723,389	7,873,832
Expenses for repayment of short-term loans	-14,101,351	17,200
Receipts from short-term loans received	3,000,000	9,456,621
Foreign exchange differences	-31,674	-273,045
Change in equity	4,757,513	0
Dividends paid	-4,955,222	-2,628,199
Net cash from financing activities	-12,054,123	14,446,409
Cash and cash equivalents at beginning of period	4,603,302	3,972,458
Net increase in cash and cash equivalents	11,149,391	630,844
Cash and cash equivalents at end of period	15,752,693	4,603,302

V.2.4 Consolidated statement of changes in equity

Changes in 2009

Amounts in €

Changes in equity	Share capital	Legal reserves	Translation reserve	Retained earnings	Majority interest	Total equity
Balance at 01/01/2009	8,000,000	488,192	-565,820	10,751,144	18,673,516	18,673,516
Profit or loss for the period	0	493,892	0	14,426,178	14,920,070	14,920,070
Foreign currency translation differences	0	0	336,050	-539,306	-203,256	-203,256
Total other comprehensive income	0	0	336,050	-539,306	-203,256	-203,256
Total comprehensive income (loss) for the period	0	493,892	336,050	13,886,872	14,716,814	14,716,814
Entry of share capital	4,877,610	0	0	0	4,877,610	4,877,610
Dividend (shares) payout	0	0	0	-4,955,222	-4,955,222	-4,955,222
Other eliminations (decreases) of equity items	0	0	0	-120,097	-120,097	-120,097
Balance at 31/12/2009	12,877,610	982,084	-229,770	19,562,697	33,192,621	33,192,621

Changes in 2008

Amounts in €

Changes in equity	Share capital	Legal reserves	Translation reserve	Retained earnings	Majority interest	Total equity
Balance at 01/01/2008	8,000,000	89,064	-30,910	3,618,192	11,676,346	11,676,346
Profit or loss for the period	0	260,802	0	9,903,047	10,163,849	10,163,849
Foreign currency translation differences	0	0	-534,434	0	-534,434	-534,434
Total other comprehensive income	0	0	-534,434	0	-534,434	-534,434
Total comprehensive income (loss) for the period	0	260,802	-534,434	9,903,047	9,629,415	9,629,415
Dividend (shares) payout	0	0	0	-2,628,199	-2,628,199	-2,628,199
Other additions (increases) of equity items	0	138,326	0	-138,326	0	0
Other eliminations (decreases) of equity items	0	0	-476	-3,570	-4,046	-4,046
Balance at 31/12/2008	8,000,000	488,192	-565,820	10,751,144	18,673,516	18,673,516

V.3 Notes to the consolidated financial statements

V.3.1 The reporting company

GEN-I, d.o.o. (hereinafter: the Company) is a Slovenian-based company. Its registered office is at Cesta 4. julija 42, SI-8270 Krško, Slovenia. The consolidated financial statements of the GEN-I Group for the business year that ended on 31 December 2009 include data on the parent company GEN-I, d.o.o. and its subsidiaries (hereinafter: the GEN-I Group).

V.3.2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements were approved by the Company's management board on 4 March 2010.

(b) Measurement basis

The consolidated financial statements are compiled on a historical cost basis, except in the following cases where fair value is used:

- derivatives, and
- financial instruments at fair value through profit or loss.

(c) Functional and presentation currency

The consolidated financial statements are expressed in euros, the functional currency of the parent company GEN-I, d.o.o.. All accounting data presented in euros is rounded to the nearest integer.

(d) Use of estimates and assessments

When preparing the financial statements, the Company's management is required to make assessments, estimates, and assumptions that affect the application of accounting policies and the reported values of assets, liabilities, revenues, and expenses in accordance with IFRS.

Estimates and assumptions are mainly associated with:

- estimated useful lives of amortizable assets,
- asset impairment,
- employee earnings, provisions,
- deferred taxes,
- contingent liabilities, and
- derivatives.

Actual results may vary from these estimates.

The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

(e) Changes to accounting policies

(i) Overview

As of 1 January 2009, the Group applies amended accounting policies in the following areas:

- definition and presentation of operating segments,
- accounting for borrowing costs, and
- presentation of financial statements.

(ii) Definition and presentation of operating segments

On 1 January 2009, the Group defined and presented operating segments based on the relevant data, which is passed on to the member of the Group's management board responsible for decision-making. The change to this accounting policy is based on the implementation of IAS 8 *Operating Segments*. Before this change, the Group defined and presented operating segments in line with IAS 14 *Segment Reporting*. To comply with the new accounting policy, the Group discloses its operating segments below.

An operating segment is a part of the Group that carries out business activities from which the Group generates income and incurs costs (including income and costs related to transactions with other members of the Group).

(iii) Accounting for borrowing costs

As of 1 January 2009, the Group includes borrowing costs in the cost of property, plant, and equipment if they can be directly attributed to the acquisition, construction, or production of a qualifying asset. In past years, the Group recognized all borrowing costs as expenses.

The change to this accounting policy is based on the implementation of IAS 23 Borrowing Costs (2007) and its transitional provisions; comparative figures have not been adjusted. Because the Group had no major investments with longer construction periods in 2009, no borrowing costs were capitalized. As a result, the change of this accounting policy did not affect net profit.

(iv) Presentation of financial statements

The Group applies the amended IAS 1 Presentation of Financial Statements (2007) that entered into force on 1 January 2009. In accordance with the amendment, the Group discloses all changes to its equity in the consolidated statement of changes in equity, while changes in the non-owner share of capital are disclosed in the consolidated statement of comprehensive income. Comparative figures are represented according to the amended standard. The change in this accounting policy affects only the way in which the data is presented.

V.3.3 Significant accounting policies

Companies of the GEN-I Group consistently applied the accounting policies described below to all periods presented in the consolidated financial statements.

In order to ensure consistency with the data for the current year, some comparative figures were reclassified.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the entity so as to derive benefits from its activities. The Group's influence is assessed based on the existence and effect of potential voting rights currently exercisable or convertible. Financial statements of subsidiaries are included in the consolidated financial statements from the date when control starts to the date it ceases. Accounting policies applied by the subsidiaries are adjusted to the Group's accounting policies.

(ii) Transactions eliminated on consolidation

Balances and unrealized profits or losses that arise from transactions within the Group were not included in the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Foreign currency transactions are converted into the functional currency of the companies within the Group using the exchange rate applied on the day they arise. Cash, cash equivalents, and liabilities denominated in foreign currencies are converted into the functional currency using the exchange rate applicable at the end of the reporting period. Positive or negative exchange differences are differences between the amortized cost in the functional currency at the beginning of the period, increased or decreased by the amount of effective interest and payments within the period, and the amortized cost expressed in foreign currency, converted using the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are converted into the functional currency at the exchange rate applicable on the day their fair value was determined. Exchange rate differences are recognized in the income statement.

(ii) Foreign operations

Assets and liabilities of foreign companies are converted into euros using the exchange rate applicable at the end of the reporting period. Revenues and expenses of foreign companies, with the exception of hyperinflationary economies, are converted into euros at average exchange rates.

Any resulting exchange rate differences are recognized directly in equity. As of 1 January 2005, these differences have been recognized in the foreign currency translation reserve (FCTR). When a foreign company is disposed of (in part or in full), the relevant amount in the FCTR is recognised in other comprehensive income.

(c) Financial instruments

(i) Non-derivative financial assets

Loans, receivables, and deposits are initially recognized on the day they arise. Other financial assets (including assets measured at fair value through profit or loss) are initially recognized on the exchange date or on the day the Group becomes a party to the instrument's contractual provisions. Financial assets are derecognized when the contractual rights to cash flows from these assets expire, or when the Group transfers the rights to cash flows from financial assets based on a contract that involves the transfer of all risks and benefits associated with the ownership of the financial asset. Each share in the transferred financial asset generated or transferred by the Group is recognized as an individual asset or liability. Financial assets and liabilities are netted, and the net amount is disclosed in the statement of financial position only if the Group has the legal right to either settle the net amount or cash in the asset and settle its

liability. Non-derivative financial instruments include the following: financial assets at fair value through profit or loss, held-to-maturity financial assets, liabilities and receivables, and available-for-sale financial assets.

Financial assets at fair value through profit and loss

Instruments are stated at fair value through profit and loss if they are available for sale or if they are classified as such after initial recognition. Financial assets are measured at fair value through profit or loss if the Group is capable of managing the assets and deciding on their purchase and sale based on fair value. After initial recognition, the related transaction costs are recognized in the income statement when they arise. Financial assets at fair value through profit or loss are measured at fair value and the amount of any changes in the fair value is recognized in profit and loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. They are initially recognized at fair value and increased by any direct transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, reduced by impairment losses. Loans and receivables include operating and other receivables.

Cash and cash equivalents include cash in hand and cash balances. Bank overdraft facilities repayable on demand, which form an integral part of the Group's cash management, are included as a component of cash and cash equivalents in the cash flow statement.

Other non-derivative financial instruments are measured at amortized cost using the effective interest rate method, reduced by impairment losses.

(ii) Derivatives

The Group uses derivatives to hedge against market and currency risks.

Derivatives are initially recognized at fair value; any transaction costs are recognized in profit and loss. After initial recognition, derivatives are measured at fair value. Any gain or loss arising from the remeasurement of fair value is recognized in profit and loss.

To hedge against market risks caused by electricity price fluctuations, the Group uses forward contracts and a number of different financial trading instruments. To minimize currency risks, the Group uses mainly forward currency contracts.

To hedge against market risks arising from electricity prices and currency risks, the Group uses non-standardized for-

ward contracts; these are agreements on the sale or purchase of a basic instrument whose price is determined at the time of the agreement's execution, but with a future effective date. The price of forward transactions is determined based on the underlying financial instrument. At the time of execution, the value of the contract equals zero because the strike price (the agreed settlement price) is equal to the forward price. Not taking into account the costs of supply, the value of a non-standardized forward contract is equal to the difference between the current price of an underlying instrument at maturity and the contractual forward price or the agreed settlement price. The forward price changes during the validity period of the contract depending on changes in current market prices and the remaining duration of the forward contract.

Standardized forward contracts (futures) are binding agreements on the purchase or sale of a standardized quantity of well-defined standard quality instruments on a standardized day in the future (standard specification) at a price determined in the present. Standardized forms are a prerequisite for exchange trading. The main advantage of standardized products is the minimization of transaction costs associated with trading. When such products are used, there is no need for buyers and sellers to define the contractual elements of each transaction: they only need to agree on the price of individual forward contracts. Contracts are negotiated without the physical presence of the goods. A standardized forward contract comes into effect only when registered with a clearing (settlement) house. This type of contract is transferable to enable exchange trading and its liquidity is determined by exchange trading volumes. Non-standardized forward contracts on the other hand are not liquid because there is hardly any exchange taking place with these contracts. When trading forward contracts, the Group must place a security deposit with the clearing house for both sales and purchases. This deposit includes an initial margin and a variation margin.

(iii) Share capital

Share capital is the called-up capital contributed by shareholders. The Group's total capital comprises called-up capital, legal reserves, and retained earnings.

Dividends

Dividends are recognized as liabilities and are stated at the time of transaction.

(d) Plant and equipment

(i) Recognition and measurement

Items of property, plant, and equipment are disclosed at cost, reduced by depreciation costs and impairment losses.

The cost of assets includes the costs that can be directly attributed to the procurement of assets. Costs of assets produced comprise costs of materials, direct costs of labor, other costs that can be directly attributed to enabling the use of assets for their intended purpose, costs of disposal and removal, costs of restoring the location of the asset to its original state, and capitalized borrowing costs. Any computer software that contributes significantly to the assets' functionality should be capitalized as part of the asset.

Parts of items of property, plant, and equipment that have different useful lives are accounted for as separate items.

(ii) Subsequent costs

Costs arising from the replacement of parts of fixed assets are recognized at carrying amount if future economic benefits for the Group associated with a part are likely to increase and if its cost can be measured reliably. All other costs (such as daily maintenance) are recognized as expenses in profit and loss immediately after they arise.

(iii) Spare parts

Spare parts and maintenance equipment of lower value with useful lives of up to one year are treated as inventory and recognized as costs in profit and loss. Spare parts and equipment of significant value with estimated useful lives exceeding one year are recognized as items of property, plant, and equipment.

(iv) Depreciation

Depreciation is calculated using the straight-line method based on the useful life of each component of an item of property, plant, and equipment; this is the most accurate method for predicting asset usage patterns. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated.

Estimated useful lives for the current and comparative periods are as follows:

- Plant and equipment 2 to 5 years,
- furniture and built-in equipment 4 to 5 years.

Investments in fixed assets owned by third parties are depreciated for the duration of the lease period (1 to 5 years).

Depreciation methods, useful lives, and other values are reviewed at the end of the reporting period and adjusted if necessary. Estimates regarding fixed assets were not revised in the 2009 business year.

(e) Intangible assets

(i) Other intangible assets

Other intangible assets with limited useful lives acquired by the Group are stated at cost, reduced by amortization costs and impairment losses.

(ii) Subsequent costs

Subsequent costs associated with intangible fixed assets are only capitalized if they increase future economic benefits arising from the asset to which the cost is related. All other costs are recognized as expenses in profit and loss when they arise.

(iii) Amortization

Amortization is calculated based on an asset's cost or another amount that is used in its place, reduced by residual value.

Amortization is recognized in the income statement using the straight-line method and is based on the useful life of intangible assets (with the exception of goodwill), starting from the date the asset is available for use; this is the most accurate method for predicting the patterns of future economic benefits associated with the asset. Estimated useful lives for the current and comparative years are as follows:

- Software 2 to 5 years.

Amortization methods, useful lives, and other values are reviewed at the end of each business year and adjusted if necessary.

(f) Asset impairment

(i) Financial assets (including receivables)

The Group assesses the value of financial assets at the reporting date to determine whether there is any objective evidence of asset impairment. Financial asset is considered impaired if there is objective evidence of impairment as a result of one or more events that led to a decrease in estimated future cash flows of the financial asset.

Impairment loss associated with a financial asset that is disclosed at fair value in the statement of comprehensive income is measured as the difference between the carrying amount and the fair value of the asset.

Impairment loss associated with a financial asset disclosed at amortized cost is measured as the difference between the asset's carrying amount and the value of estimated future cash flows, discounted at the original effective interest rate. Impairment loss associated with available-for-sale financial assets is calculated using the current fair value of the asset.

Impairment estimates of significant financial assets are carried out individually. The impairment of remaining financial assets is assessed collectively with regard to their common risk exposure characteristics.

All impairment losses are reported in the Group's income statement for the accounting period.

Impairment losses are derecognized if they can be objectively associated with events that occurred after their recognition. Impairment losses associated with financial assets that are stated at amortized cost and available-for-sale financial assets that are considered debt instruments are derecognized in the Group's income statement.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amount of non-financial assets (with the exception of inventories and deferred tax assets) to determine if there are any indications of impairment. If there are such indications, the asset's recoverable value is assessed. Impairment of goodwill and intangible assets with an indefinite useful life not yet available for use is reviewed at each reporting date.

The recoverable amount of assets or cash-generating units is the higher of their value in use or fair value reduced by costs of sale. In determining the asset's value in use, estimated future cash flows are discounted to their current value at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In order to test them for impairment, assets are consolidated into the smallest asset groups that generate cash inflows.

An impairment loss of an asset or cash-generating unit is recognized whenever its carrying amount exceeds its recoverable value. The impairment is recognized in the income statement.

With respect to other assets, impairment losses from previous periods are evaluated on the balance sheet date, determining whether or not there has been a reduction of loss and whether or not the loss still exists. Impairment losses are derecognized if the estimates used to determine the recoverable value of assets have changed. An impairment loss is derecognized to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined in the net amortized amount if no impairment loss had been recognized for the asset in previous years.

(g) Employee earnings

Liabilities from short-term employee earnings are measured on an undiscounted basis and are recognized as expenses as soon as the work performed by an employee and related to the short-term earning is completed.

(h) Provisions

Provisions are recognized if the Group has a present legal or constructive obligation as a result of a past event which can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle

the obligation. Provisions are determined by discounting expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Provisions for severance payments and jubilee bonuses

Pursuant to the law, the collective agreement, and internal rules, the Group is obliged to pay jubilee bonuses and severance payments to employees, and has created non-current provisions for this purpose. There are no other pension liabilities.

Provisions are created in the amount of estimated future severance payments and jubilee bonuses, discounted at the end of the reporting period. A calculation was made for each employee, taking into account severance payment costs and costs of all expected long-service bonuses until retirement. The calculation was prepared based on an actuarial calculation using the projected unit credit method.

(i) Revenues

(i) Revenues from goods sold

Revenues from goods sold are recognized at the fair value of payments received or the resulting receivables, reduced by returns, discounts, and quantity discounts. Revenues from sales are recognized at the moment when risks and benefits connected with the ownership of assets are transferred to the buyer, when the payment and the associated costs are certain, and when the Group ceases to have effective control over the goods sold. If discounts are likely to be offered and their amount can be measured reliably, they are recognized as revenue reductions at the time when the sale itself is recognized.

(ii) Revenues from services rendered

Revenues from services rendered are recognized in the income statement according to the stage of completion of individual transactions at the end of the reporting period. The stage of completion is assessed based on inspections of the work performed.

(iii) Commissions

If the Group is involved in a transaction as an intermediary, and not as a parent company, the resulting net commission is disclosed as revenue.

(iv) Revenues from rents

Revenues from rents are recognized on a straight-line basis over the term of lease.

(j) Leases

Payments from operating leases are recognized as revenues on a straight-line basis over the term of lease.

Lease incentives received are recognized as an integral part of total expenses from rents.

Minimum finance lease payments are classified as financial expenses and decreases of outstanding debt. Financial expenses are allocated over the term of the lease to determine a fixed interest rate for the remaining debt over individual periods.

The Group recognizes contingent payments from financial leases in an amount determined by revaluating minimum lease payments in the remaining period upon receipt of a rent change confirmation.

(k) Financial income and financial expenses

Financial income includes interest from investments, dividend revenues, revenues from the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, positive exchange rate differences, and gains from hedging instruments recognized in the statement of comprehensive income. Interest revenues are recognized when they arise, using the effective interest rate method.

Financial expenses include borrowing costs, negative exchange rate differences, changes in the fair value of financial assets at fair value through profit or loss, losses from impairments of financial assets, and losses from hedging instruments recognized in the income statement. Borrowing costs are recognized in profit and loss using the effective interest rate method.

(l) Income tax

Income tax on the profit or loss in the business year includes current and deferred tax. Income tax is recognized in profit and loss, except where it relates to business combinations or items recognized directly in equity, in which case it is recognized in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable revenue for the business year, using tax rates in force or substantially in force at the end of the reporting period, and any adjustment to the tax payable in respect of previous years.

Deferred tax is disclosed taking into account temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the relevant amounts for tax reporting purposes. The following temporary differences are not taken into account: goodwill not deductible for tax purposes, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not be reversed

in the foreseeable future. Deferred tax is not recognized in the case of taxable temporary differences that occur at the initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied to temporary differences when they are reversed based on laws that are in force or substantively in force at the end of the reporting period.

The Group must reconcile deferred tax assets and liabilities if it has an enforceable right to do so and if these receivables and liabilities relate to income tax for the same tax authority and the same taxable unit, or if the tax relates to different taxable units that intend to pay or receive the resulting net amount, or settle their liabilities and reverse the receivables.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the receivable can be utilized. Deferred tax assets are reduced by the amount of tax benefits that are not expected to be realized.

(m) Segment reporting

An operating segment is a part of the Group that carries out business activities from which it generates income and incurs costs that relate to transactions with other members of the same Group. The Group did not define any operating segments in 2010, as all of its members are involved in the same activity, namely the sale and purchase of electricity.

(n) New standards and interpretations that have not entered into force

A number of new standards, amendments, and interpretations of standards for the business year ended on 31 December 2009 have not yet entered into force and were not considered in the preparation of the Group's financial statements:

1. Revised IFRS 3 Business Combinations (effective for annual periods from 1 July 2009)

The scope of the standard was changed and the definition of transactions expanded. The amended standard includes many other important changes, such as:

- all components of the purchase amounts transferred by the acquirer are measured and recognized at fair value at the acquisition date, including contingent amounts;
- a subsequent change of the contingent amounts is recognized in the income statement;
- transaction costs, excluding issuing costs for shares and debt securities, are treated as expenses on the day they arise; and
- an acquirer may choose to measure any minority interest at fair value at the acquisition date (total value

of goodwill) or at a proportionate share of the fair value of the identifiable assets and liabilities of the acquiree on a transaction-by-transaction basis.

The revised standard should not be applied to business combinations completed before it took effect, as it does not affect the financial statements or disclosed business combinations that took place before it entered into force.

The revised IFRS 3 has no impact on the Group's financial statements, as after this date it has not acquired stakes in subsidiaries, which would be affected by the revision.

2. Revised IAS 27 Consolidated and Separate Financial Statements (effective for annual periods from 1 July 2009)

The revised standard replaces the term "minority interest" with the term "non-controlling interest", defining it as "the equity in a subsidiary not attributable, directly or indirectly, to a parent". In addition, the standard changes the way non-controlling interests are treated, the loss of control over the subsidiary, and the distribution of profit or loss and total profits between the controlling and non-controlling interest.

The revised IAS 27 does not have any impact on the Group's financial statements, as no events that could be affected by it have taken place after its effective date.

3. Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods from 1 February 2010)

According to this amendment, rights, options, or warrants to acquire a fixed number of an entity's own equity instruments for a fixed price stated in any currency are defined as equity instruments if the entity offers the rights pro rata of its own non-derivative equity instruments to all of its existing owners of the same class.

The amendments to IAS 32 do not apply to the Group, as it has never issued such instruments.

4. Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for annual periods from 1 July 2010)

The revised standard specifies the use of existing principles, which determine whether or not special forms of cash flow risks or parts of cash flow may reflect hedge relationships. In order to prove hedge relationships, risks or parts must be measured and recognized separately, although inflation can only be determined under limited circumstances.

We assess that the revised IAS 39 will not have a significant effect on the Group's financial statements.

5. IFRIC 12 Service Concession Arrangements (effective in the first annual period from 1 April 2009)

The interpretation is intended for privately-owned entities and relates to the measurement and recognition of issues associated with the accounting approach to service concession arrangements in the public-private sector.

IFRIC 12 does not affect the Group's operations, as it has not concluded any service concession agreements.

6. IFRIC 15 Agreements for the Construction of Real Estate (effective for annual periods from 1 January 2010)

This interpretation clarifies that revenues from agreements for the construction of real estate are recognized on a percentage-of-completion basis in the following cases:

- a) the agreement is classified as a construction contract according to IAS 11.3;
- b) the agreement only applies to the provision of services as defined in IAS 18 (for example, there is no need for the Company to supply building material); and
- c) the agreement relates to the sale of goods; revenues are recognized as construction progresses according to provisions of the IAS 18.14.

In all other cases revenues are recognized when criteria from IAS 18.14 are met (for example, once construction is completed or following delivery).

IFRIC 15 does not affect the Group's financial statements, as it does not provide real estate construction or sale services.

7. IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods from 1 July 2009)

The interpretation clarifies the types of risk for which hedging instruments can be used, which company within a Group can hold a hedging instrument, whether or not the consolidation method affects the effectiveness of the hedge, form of hedging instruments, and amounts that are reclassified from equity to the income statement once the investment is disposed of.

IFRIC 16 does not affect the Group's financial statements, as it does not use or intend to use hedges of net investments in a foreign operation.

8. IFRIC 17 Distributions of Non-cash Assets to Owners (expected to be effective for annual periods from 1 November 2009)

This interpretation applies to all non-reciprocal distributions of non-cash assets to owners. The interpretation clarifies that a dividend payable is recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity, and should be measured at the fair amount of the net assets to be distributed. The carrying amount of dividends is remeasured at each reporting date and any changes to it are recognized in equity as adjustments to the payment amount. Once the obligation to pay out dividends is settled, any difference between the carrying amount of the asset and the carrying amount of the dividend is recognized in the income statement.

The Group does not distribute non-cash assets to owners.

9. IFRIC 18 Transfers of Assets from Customers (expected to be effective for annual periods from 1 November 2009)

According to this interpretation, the Group must recognize transferred assets at their fair value if they display the characteristics of property, plant, and equipment as defined by IAS 16 Property, Plant, and Equipment. The Group must also recognize the transfer amount as revenue. The time frame for recognizing these revenues depends on the facts and circumstances of individual agreements.

IFRIC 18 does not affect the Group's financial statements, as it does not normally receive assets from its customers.

V.3.4 Determining fair value

In accordance with the Group's accounting policies, the measurement of the fair value of both financial and non-financial assets and liabilities is necessary in several instances. The fair value of individual asset groups for accounting and reporting purposes was determined using the methods described below. Where additional clarifications regarding the assumptions used to determine fair value are necessary, they are given in the breakdown of the Group's individual assets or liabilities.

(i) Property, plant, and equipment

The fair value of property, plant, and equipment from business combinations is equal to their market value. The market value of property is equal to the estimated value for which property, having been appropriately advertised, could be exchanged on the valuation date between knowledgeable and willing parties in an arm's length transaction. The market value of plant, equipment, and small tools is based on the quoted market price of similar objects.

(ii) Intangible assets

The fair value of patents and trademarks acquired through business combinations is based on the discounted estimated future value of royalties whose payment will not be necessary due to the ownership of the patent or trademark. The fair value of customer relationships obtained through business combinations is determined using a special multi-period excess earnings method, and the value of individual assets is determined after the fair return from all assets that contribute to the cash flow is deducted.

(iii) Operating and other receivables

The fair value of operating and other receivables with the exception of unfinished construction work is equal

Overview of all subsidiaries in the GEN-I Group

Amounts in €

Group companies	% of ownership		Investment value		Equity of subsidiary		Share capital of majority shareholder	
	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
GEN-I d.o.o., Beograd	100.00	100.00	150,000	150,000	6,216,136	4,241,472	809,572	138,327
GEN-I Zagreb d.o.o.	100.00	100.00	204,910	2,724	566,461	119,819	205,479	2,719
GEN-I Budapest Kft.	100.00	100.00	203,915	203,915	2,377,938	1,298,760	187,540	187,477
GEN-I d.o.o. Sarajevo	100.00	100.00	512,847	512,847	580,481	511,292	511,292	511,292
GEN-I dooel Skopje	100.00	100.00	20,000	20,000	1,214,990	-35,032	19,781	20,271
GEN-I Tirana Sh.p.k.	100.00	100.00	46,452	0	4,130	0	43,557	0
GEN-I Athens SMLLC.	100.00	100.00	150,000	0	249,164	0	150,000	0
S.C. GEN-I Bucharest S.R.L.	100.00	100.00	500,000	0	491,607	0	497,274	0
Total			1,788,124	889,486	11,700,907	6,136,311	2,424,494	860,086

to the current value of future cash flows, discounted using a market interest rate at the end of the reporting period.

(iv) Derivatives

The fair value of forward contracts is equal to their quoted market price at the end of the reporting period if the market price is available. If the market price is not available, fair value is determined as the difference between the contractual value of the forward contract and its current bid value, taking into account the residual maturity of the contract and using a risk-free interest rate (based on government bonds).

(v) Non-derivative financial liabilities

Fair value for reporting purposes is calculated based on the present value of future principal and interest payments, discounted at a market interest rate at the end of the reporting period. The market interest rate for finance leases is determined by comparing such leases with similar lease contracts.

appropriate risk management procedures can be found in GEN-I's business report in Chapter II.5 Risk Management.

V.3.6 Capital increases and founding of new subsidiaries within the GEN-I Group

In 2009, the GEN-I Group:

- increased the share capital of the subsidiary GEN-I Zagreb d.o.o. by EUR 202,186; and
- founded the subsidiaries GEN-I Tirana Sh.p.k. (share capital of EUR 46,452), GEN-I Athens SMLLC (share capital of EUR 150,000), and S.C. GEN-I Bucharest S.R.L. (share capital of EUR 500,000).

V.3.6 Financial risk management

Overview of risks

The GEN-I Group is exposed to the following risks in its operations:

- financial risk,
- market risk, and
- operational risk.

GEN-I's prudent approach to risk management helps the Group maintain its high level of operational quality and is crucial for achieving its business goals. The use of standard methodology and risk management procedures enables quality risk assessment, timely responses, and minimum exposure of the Group to major risks. A detailed description of individual risks and the

Assets of subsidiary		Liabilities of subsidiary		Income of subsidiary		Net profit or loss of subsidiary		Number of employees at subsidiary	
31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008	31/12/2009	31/12/2008
19,854,995	25,157,300	13,638,859	20,915,828	86,949,942	77,942,238	5,477,377	3,710,248	3	2
6,735,734	9,007,643	6,169,273	8,887,823	25,236,086	18,120,249	241,666	91,546	1	1
19,836,190	12,528,817	10,258,252	11,230,058	129,228,124	42,813,402	1,069,761	1,207,297	1	1
6,716,358	522,973	6,135,877	11,681	17,907,619	0	69,189	0	2	2
2,596,509	16,448	1,381,518	51,950	7,541,672	0	1,258,778	-54,780	1	1
35,545	0	31,415	0	245	0	-41,631	0	2	0
1,840,387	0	1,591,223	0	5,292,033	0	99,164	0	0	0
1,317,017	0	825,410	0	772,987	0	-5,662	0	1	0
58,932,734	47,233,181	40,031,827	41,097,340	272,928,709	138,875,889	8,168,642	4,954,311	10	6

V.3.7 Disclosures of items in the financial statements

Disclosure 1: Property, plant, and equipment

Amounts in €

Property, plant and equipment	31/12/2009	31/12/2008
Buildings	123,083	153,243
Other plant and equipment	345,360	327,881
Property, plant and equipment under construction and advances	3,069	0
Total property, plant and equipment	471,512	481,124

Office furniture and computer equipment accounted for the majority of property, plant, and equipment. Investments in property, plant, and equipment owned by third parties are disclosed as a part of buildings.

Changes in 2009

Amounts in €

Property, plant and equipment	Buildings	Other plant and equipment	Property, plant and equipment under construction and in production and advances	Total
Cost				
Balance at 01/01/2009	192,212	471,827	0	664,039
Other acquisitions	0	37,859	131,407	169,266
Write-offs	0	-9,649	0	-9,649
Disposals	0	-2,915	0	-2,915
Other transfers	22,943	105,743	-128,338	348
Effect of movements in exchange rates	0	-407	0	-407
Balance at 31/12/2009	215,155	602,457	3,069	820,681
Accumulated depreciation				
Balance at 01/01/2009	38,968	143,947	0	182,915
Write-offs	0	-9,649	0	-9,649
Disposals	0	-340	0	-340
Depreciation expense	53,103	123,139	0	176,242
Balance at 31/12/2009	92,072	257,097	0	349,168
Carrying amount at 01/01/2009	153,244	327,880	0	481,124
Carrying amount at 31/12/2009	123,083	345,360	3,069	471,512

Investments in property, plant and equipment in 2009 amounted to EUR 169,266. This includes purchases of office, computer, and other equipment, mainly by the parent company (EUR 105,741). The subsidiary GEN-I d.o.o., Beograd invested EUR 35,047 in furniture, computer equipment, and a company car. The parent company earmarked a further EUR 22,943 for commercial premises.

Assets under construction include computer equipment that had not yet been activated in 2009.

Changes in 2008

Amounts in €

Property, plant and equipment	Buildings	Other plant and equipment	Total
Cost			
Balance at 01/01/2008	94,810	336,300	431,110
Other acquisitions	97,402	136,834	234,236
Write-offs	0	-1,307	-1,307
Balance at 31/12/2008	192,212	471,827	664,039
Accumulated depreciation			
Balance at 01/01/2008	11,061	53,148	64,209
Other transfers	0	-115	-115
Depreciation expense	27,907	90,914	118,821
Balance at 31/12/2008	38,968	143,947	182,915
Carrying amount at 01/01/2008	83,749	283,152	366,901
Carrying amount at 31/12/2008	153,244	327,880	481,124

Disclosure 2: Intangible assets

Amounts in €

Intangible assets	31/12/2009	31/12/2008
Other intangible assets	363,019	324,247
Intangible assets under construction and development	3,460	0
Total intangible assets	366,479	324,247

The Group's other intangible fixed assets include property rights and software, mainly owned by the parent company. Intangible assets under construction and development, and advances relate to assets that had not yet been activated in 2009.

Changes in intangible assets in 2009

Amounts in €

Intangible assets	Other intangible assets	Intangible assets under construction	Total
Cost			
Balance at 01/01/2009	559,709	0	559,709
Other acquisitions	5,230	240,535	245,766
Write-offs	-64	0	-64
Other transfers	233,754	-237,075	-3,321
Effect of movements in exchange rates	-276	0	-276
Balance at 31/12/2009	798,353	3,460	801,813
Accumulated amortization			
Balance at 01/01/2009	235,462	0	235,462
Write-offs	-64	0	-64
Amortization expense	199,936	0	199,936
Balance at 31/12/2009	435,334	0	435,334
Carrying amount at 01/01/2009	324,247	0	324,247
Carrying amount at 31/12/2009	363,019	3,460	366,479

Investments in other intangible fixed assets include investments in software used to support electricity sales and trading. The majority of investments, or EUR 233,754, was carried out by the parent company.

Changes in intangible assets in 2008

Amounts in €

Intangible assets	Other intangible assets	Intangible assets under construction and development, and advances	Total
Cost			
Balance at 01/01/2008	312,476	29,430	341,906
Other acquisitions	217,803	0	217,803
Other transfers	29,430	-29,430	0
Balance at 31/12/2008	559,709	0	559,709
Accumulated amortization			
Balance at 01/01/2008	117,522	0	117,522
Amortizacija v obdobju Amortization expense	117,940	0	117,940
Balance at 31/12/2008	235,462	0	235,462
Carrying amount at 01/01/2008	194,954	29,430	224,384
Carrying amount at 31/12/2008	324,247	0	324,247

Disclosure 3: Non-current receivables

Amounts in €

Non-current receivables	31/12/2009	31/12/2008
Operating receivables due from others	50,075	50,075
Other non-current financial receivables	13,015	7,200
Total non-current receivables and loans granted	63,090	57,275

Non-current operating receivables include a long-term deposit paid to the electricity exchange operator Borzen, d.o.o. Other non-current financial receivables comprise paid in life insurance premiums.

Disclosure 4: Operating receivables

Amounts in €

Operating receivables	31/12/2009	31/12/2008
Trade receivables	50,054,881	60,618,590
Interest receivables	50,908	65,175
Other operating receivables	7,315,643	14,314,343
Advances paid	1,053,162	3,241,029
Short term deferred costs and/or expenses	1,143,777	495,428
Short term accrued revenue	573,132	450,459
Total operating receivables	60,191,503	79,185,024

The Group's consolidated current operating receivables at the end of 2009 lowered by 24% compared to the same period of the previous year. The decrease in current operating receivables was the result of careful monitoring of overdue receivables and effective debt collection.

Other operating receivables included current receivables from VAT and corporate income tax. The parent company accounted for EUR 3 million of total operating receivables and its subsidiaries accounted for the rest, mainly GEN-I d.o.o., Beograd and GEN-I d.o.o. Sarajevo.

Age structure and impairment of receivables

Amounts in €

Aging of receivables	Total outstanding receivables	Receivables not yet due	Receivables due			
			31/12/2009	31/12/2009	Up to 90 days	From 91 to 180 days
Current trade receivables	50,302,962	41,493,002	8,491,268	72,729	90,610	155,353
Other current receivables	7,366,551	7,366,551	0	0	0	0
Current receivables for advances	1,053,162	1,053,162	0	0	0	0
Total current receivables	58,722,676	49,912,716	8,491,268	72,729	90,610	155,353
Impairment of receivables	248,082	0	0	0	0	248,082
Disputed and doubtful receivables	100,611	0	0	0	0	100,611
Impairment of disputed and doubtful receivables	100,611	0	0	0	0	100,611
Total receivables	58,823,287	49,912,716	8,491,268	72,729	90,610	255,964
Total impairment of receivables	348,693	0	0	0	0	348,693

Amounts in €

Impairment of receivables in accordance with the group's accounting policies	Impairment	Increase of impairment	Decrease of impairment	Impairment
	Balance at 01/01/2009	Generated from 01/01 to 31/12/2009		
Current trade receivables	220,051	44,841	-16,811	248,082
Disputed and doubtful receivables	57,091	68,565	-25,045	100,611
Total	277,142	113,407	-41,856	348,693

Receivables are impaired if their carrying amount exceeds their amortized cost. Impairment of receivables result in the increase of the Group's financial expenses.

In 2009, the parent company GEN-I, d.o.o. impaired receivables in the total amount of EUR 113,407 and reversed the impairment of receivables in the amount of EUR 41,856. Disputed and doubtful receivables and other receivables, which the Group does not expect to collect due to sufficient material evidence regarding the debtor's solvency, are impaired in their entire amount.

Amounts in €

Current receivables	31/12/2009			31/12/2008		
	Gross amount	Impairment	Carrying amount	Gross amount	Impairment	Carrying amount
Current trade receivables	50,302,962	-248,082	50,054,881	60,838,640	-220,051	60,618,589
Other current receivables	7,366,551	0	7,366,551	14,379,517	0	14,379,517
Current receivables for advances	1,053,162	0	1,053,162	3,241,029	0	3,241,029
Disputed and doubtful receivables	100,611	-100,611	0	57,091	-57,091	0
Total	58,823,287	-348,693	58,474,594	78,516,278	-277,142	78,239,135

Advances

Advances paid in the amount of EUR 1,053,162 relate to advance payments of cross-border capacities and other costs associated with electricity. These amounts are connected with current deferred costs.

Disclosure 5: Other financial investments and derivatives

Amounts in €

Other investments including derivatives	31/12/2009	31/12/2008
Derivatives	326,265	98,113
Current deposits	34,097	1,736,356
Loans to others	1,000,000	2,589,148
Total current investments and loans	1,360,362	4,423,617

Derivatives relate to contracts signed with financial institutions for the purpose of hedging electricity prices against currency risks and unexpected price fluctuations. The parent company accounts for the entire amount of derivatives (EUR 326,265).

Interest and maturity of loans

Amounts in €

Loans and deposits	Currency	31/12/2008	31/12/2009	Loans and deposits at the last day after maturity		Year of maturity of the last installment	Nominal interest rate	Effective interest rate - fixed	Unsecured portion
				Up to 6 months	From 6 to 12 months				
Loans granted to others	EUR	2,500,000	1,000,000	0	1,000,000	2010	4.1000	4.1000	1,000,000
Deposits granted	EUR	1,825,504	34,097	34,097	0	2010	0.5000	0.5000	0
Total loans and deposits granted		4,325,504	1,034,097	34,097	1,000,000	0	0.0000	0.0000	1,000,000

Disclosure 6: Cash and cash equivalents

Amounts in €

Cash and cash equivalents	31/12/2009	31/12/2008
Cash in banks	10,817,448	4,086,815
Call deposits	4,935,076	0
Deposits up to three months	0	516,310
Cash in hand	169	177
Cash and cash equivalents	15,752,693	4,603,302

Cash and cash equivalents include bank account balances, cash in hand, and call deposits.

Disclosure 7: Share capital and reserves

Share capital comprises cash contributions by owners of controlling companies and amounts that arise during current operations that pertain to owners.

Reserves

Amounts in €

Reserves	31/12/2009	31/12/2008
Legal reserves	982,084	488,192
Translation reserves	-229,770	-565,820
Total	752,314	-77,628

From the net profit generated in the business year, the parent company GEN-I, d.o.o. created additional legal reserves in the amount of EUR 493,892. On 31 December 2009 legal reserves totaled EUR 982,084.

Exchange rate differences arising from the conversion of foreign currencies into euros are recognized directly in the statement of comprehensive income as foreign currency translation reserve.

Retained earnings

Amounts in €

Retained earnings	31/12/2009	31/12/2008
Net profit or loss for the period	14,426,178	9,903,047
Retained net profit or loss	5,136,519	848,097
Total	19,562,697	10,751,144

Retained earnings increased by EUR 14,426,178 compared to 2008 as a result of net gains after the creation of legal reserves, and decreased by EUR 4,955,222 due to exchange rate differences, the creation of legal reserves, and payments of dividends to the owners of the parent company.

Disclosure 8: Loans

Amounts in €

Short-term loans and borrowings	31/12/2009	31/12/2008
Borrowings from banks	3,000,000	14,082,428
Total current financial liabilities	3,000,000	14,082,428

Loans received were initially recognized at fair value reduced by acquisition costs. At the reporting date, they were measured at amortized cost using the effective interest rate method, taking into account acquisition costs, discounts, and premiums.

The Group's demand for external financing declined due to its effective cash flow management. At the end of 2009, the parent company had a single short term loan from the Slovenian commercial bank in the amount of EUR 3,000,000. Loan was not collateralized and had a fixed interest rate of 5.4%.

Changes

Amounts in €

Changes in short-term loans and borrowings	Borrowings from banks	
	2009	2008
Balance at 01/01	14,082,428	4,655,000
New borrowings - increases	3,000,000	9,427,428
Repayments - decreases	-14,082,098	
Consolidation foreign exchange differences	-330	
Balance at 31/12	3,000,000	14,082,428

Disclosure 9: Non-current provisions

Amounts in €

Provisions for severance payments and jubilee bonuses	2009	2008
Balance at 01/01/	44,645	36,101
Creation of provisions	20,622	8,544
Use of provisions	-2,768	0
Balance at 31/12/	62,499	44,645
Of which non-current portion	62,499	44,645

The Group created provisions for severance payments and jubilee bonuses based on the carrying amount of its liabilities to employees. Provisions for liabilities to employees in the form of severance payments and jubilee bonuses were created based on an actuarial calculation for GEN-I, d.o.o. The selected discount interest rate was 5.45 % p.a., which was the return on 10-year gilt-edged bonds in the euro area at the end of November 2009.

These assumptions reflect the actual situation at the time the actuarial calculation was prepared. Actuarial deficits (surpluses) resulting from severance payments and jubilee bonuses were immediately recognized in the income statement as expenses (revenues). The Group created additional provisions in the amount of EUR 20,622 in 2009 and utilized EUR 2,768 of provisions from previous years.

Disclosure 10: Deferred taxes

Amounts in €

Deferred taxes relating to	Receivables		Liabilities		Net effect	
	2009	2008	2009	2008	2009	2008
Property, plant, and equipment	40,061	23,542	0	0	40,061	23,542
Provisions for severance payments and jubilee bonuses	10,705	8,469	0	0	10,705	8,469
Deferred tax assets (liabilities)	50,766	32,011	0	0	50,766	32,011

Amounts in €

Changes in temporary differences in the period	31/12/2007	Recognized in the income statement	31/12/2008	Recognized in the income statement	31/12/2009
Intangible assets	12,356	11,186	23,542	16,519	40,061
Provisions for severance payments and jubilee bonuses	7,076	1,393	8,469	2,236	10,705
Total	19,432	12,579	32,011	18,755	50,766

Deferred tax assets include corporate income tax payments that will be reimbursed to the companies of the Group over future periods in the form of reduced income tax installments. They are the result of temporary deductible differences and transfers of unused tax losses or tax credit notes to future periods.

All the Group's deferred tax assets are recognized in the income statement. In 2009, the Group recorded an increase in deferred tax assets resulting from the following changes:

- non-deductible tax provisions in the amount of 50% created for severance payments and jubilee bonuses; and
- provisions created for the depreciation of fixed assets for which depreciation exceeded the amount deductible for tax purposes.

Disclosure 11: Current operating liabilities

Amounts in €

Current operating liabilities	31/12/2009	31/12/2008
Current liabilities for advances received	802,563	884,072
Current trade payables	23,941,128	42,309,968
Current trade payables to subsidiaries	413	0
Current liabilities to employees	477,598	239,422
Current liabilities to state and other institutions	3,410,999	11,477,603
Current liabilities to others	32,714	9,046
Current interest payable to others	13,808	271,648
Accrued costs and expenses	13,641,419	1,067,859
Deferred revenue	23,375	0
Current operating liabilities	42,344,017	56,259,618

Current liabilities for advances received relate to advances received for electricity sales to domestic and foreign entities.

Current trade payables accounted for the majority of the Group's current operating liabilities. They mainly include trade payables for electricity purchases and associated variable costs.

Current liabilities to employees comprise liabilities for December salaries and other employee earnings.

Current liabilities to state and other institutions also accounted for a significant portion of the Group's current operating liabilities; they included liabilities for VAT, excise duties, and employment-related liabilities payable by the employer.

Accrued costs and expenses mainly include differences between the expected electricity supply and consumption according to schedules and actual realization, acquisition of green certificates, costs of cross-border capacity rights, and electricity purchases.

Current liabilities to others are disclosed at the parent company and include liabilities from contractual work, meeting attendance fees, and liabilities from payment card transactions.

Disclosure 12: Fair values

Amounts in €

Fair values	31/12/2009		31/12/2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets at amortized cost				
Non-current financial receivables	13,015	13,015	7,200	7,200
Non-current operating receivables	50,075	50,075	50,075	50,075
Current deposits	34,097	34,097	1,736,356	1,736,356
Current loans	1,000,000	1,000,000	2,589,148	2,589,148
Operating receivables	57,421,432	57,421,432	74,998,108	74,998,108
Cash and cash equivalents	15,752,693	15,752,693	4,603,302	4,603,302
Liabilities at amortized cost				
Liabilities from borrowings at fixed interest rates	3,000,000	3,089,428	14,082,428	14,128,821
Other financial liabilities	0	0	-46,393	-46,393
Current operating liabilities	-27,876,660	-27,876,660	-54,307,687	-54,307,687
Total	46,394,652	46,484,080	29,630,109	29,630,109

Disclosure 13: Contingent liabilities

Amounts in €

Off-balance sheet receivables and liabilities	31/12/2009	31/12/2008
Guarantees and securities - other	62,592,940	47,739,927
Guarantees and securities - subsidiaries operating abroad	35,271,305	0
Total	97,864,245	47,739,927

In 2009, contingent liabilities from bank guarantees mainly included bank guarantees issued to various beneficiaries at the request of GEN-I, d.o.o. and its subsidiaries. They included performance and payment guarantees, such as:

- performance bonds,
- bid bonds, and
- guarantees for the timely payment of goods and services.

The maximum maturity period of these guarantees is one year; in exceptional cases, they can also be issued for a period of up to four years.

Disclosure 14: Revenues

Amounts in €

Revenues	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Revenues from sale of goods	456,761,335	377,512,842
Revenues from sale of services	2,943	440,759
Rental income	545	11,238
Total	456,764,823	377,964,839

Revenues from electricity sales amounted to EUR 456,761,335 in 2009. The Group's revenues from the sale of goods increased by 21% compared to year 2008.

Revenues from services and rents represent a negligible share in total revenues.

Amounts in €

Other operating income	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Write-offs of liabilities and inventory surpluses	0	227
Other operating revenues	15,556	184,011
Revenues from subsidies, government grants, and compensation	2,560	0
Total	18,116	184,238

The Group's other operating revenues in 2009 included revenues from the reversal of deferred revenues from the previous year, damages received, and a subsidy.

Amounts in €

Income generated in domestic and foreign markets	Domestic	Foreign	Total
	Generated from 01/01 to 31/12/2009		
Revenues from sale of goods and materials	161,697,534	295,063,801	456,761,335
Revenues from sale of services	2,943	0	2,943
Rental income	545	0	545
Total	161,701,022	295,063,801	456,764,823

In 2009, the Group generated 65% of its revenues on foreign markets and 35% in domestic markets.

Disclosure 15: Cost of goods, materials and services

Amounts in €

Items	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Cost of goods and materials sold	432,038,242	357,949,439

The cost of the goods sold in 2009 and the revenues from the sale of goods were up 21% on the previous year. The costs of goods include purchase price of electricity and associated costs.

Amounts in €

Cost of goods, materials and services	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Transportation	232,457	124,686
Maintenance	176,664	26,967
Rents	732,375	361,043
Bank charges and other fees	878,113	338,501
Intellectual services	1,561,600	756,113
Advertising, promotion, and public relations	644,790	242,544
Other services	835,343	661,501
Information-technology costs (IT)	21,436	152,970
Total	5,082,778	2,664,325

The costs of services doubled in 2009 compared to previous year due to the Group's increased volume of operations and its expansion to new markets. Intellectual services account for the largest portion of the Group's costs of services and included human resource services (consulting, recruitment), legal and notary fees, auditing and accounting services, and business and tax consultancy services. Costs of services also include bank fees, various other fees, and rents.

Other costs of services include telecommunication services, education, transport, fees and concessions, costs of accessing different databases, licensing costs, and costs for the preparation of the annual report.

Amounts in €

Minimum lease payments under noncancellable operating lease	2009	2008
<1 year	340,014	280,597
>1 < 5 years	366,495	562,238
Total	706,508	842,836

Liabilities from long-term contracts signed for the lease of commercial premises over the next few years are expected to amount to at least EUR 523,140 at the parent company (organizational units Ljubljana and Nova Gorica) and to EUR 183,368 at the Group's subsidiaries.

Amounts in €

Costs of materials	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Costs of energy	60,873	40,291
Materials and spare parts	14,511	24,964
Office supplies	79,397	35,762
Other costs of materials	414,507	29,302
Total	569,288	130,319

Disclosure 16: Labor costs

Amounts in €

Labor costs	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Wages and salaries	2,873,262	1,947,527
Social security contributions	470,094	287,677
Other labor costs	463,292	224,289
Total	3,806,648	2,459,493

In 2009, the Group calculated labor costs in line with collective agreements for the electricity sector in countries where GEN-I, d.o.o. and its subsidiaries operate, the job classifications used by individual companies within the GEN-I Group, and individual employment contracts.

Labor costs include wages and salaries, social security contributions, additional pension insurance, and other labor costs (allowances for meal expenses, travel costs, holiday allowances, jubilee bonuses, etc.).

In 2009, total labor costs increased by 55% compared to the previous year, mainly due to an increase in the number of employees.

Disclosure 17: Amortization and depreciation

Amounts in €

Amortization and depreciation	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Amortization of intangible assets	199,936	117,940
Depreciation of property, plant, and equipment	176,242	118,821
Total	376,178	236,761

The Group's fixed assets are depreciated individually using the straight-line depreciation method and depending on their estimated useful lives, while fixed assets owned by third parties are depreciated over the term of the lease. Depreciation amount to EUR 376,178 in 2009, up 59% on the previous year.

Disclosure 18: Other operating expenses

Amounts in €

Other operating expenses	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Taxes and levies	84,941	0
Loss on sale of property, plant and equipment, and intangible assets	451	0
Donations	15,600	5,505
Provisions	20,622	8,543
Impairment and write-offs of property, plant, and equipment	2,975	0
Contributions to political parties, syndicates, etc.	1,000	2,000
Other operating expenses	602,112	327,316
Total	727,701	343,364

In 2009, the Group's other operating expenses were up on the previous year mainly due to duties, membership fees, and damages (EUR 333,808) associated with electricity sales and purchases at the parent company.

Amounts in €

Donations	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Humanitarian purposes	5,450	0
Educational purposes	1,550	3,200
Sports purposes	4,800	2,305
Cultural purposes	3,000	0
Environmental purposes	800	0
Total	15,600	5,505

Disclosure 19: Financial income and financial expenses

Amounts in €

Profit or loss from financing	Generated from 01/01 to 31/12/2009	Generated from 01/01 to 31/12/2008
Interest income	202,380	293,187
Change in fair value of derivatives	3,887,589	0
Net foreign exchange gains	0	283,057
Other financial income	96,399	235,581
Reversal of write-offs	41,856	0
Financial income	4,228,224	811,825
Interest expense on financial liabilities	-410,828	-563,969
Impairment loss on trade receivables	-123,079	-277,142
Net foreign exchange losses	-31,675	0
Change in fair value of derivatives	0	-1,882,017
Other financial expenses	-54,721	-720
Financial expenses	-620,303	-2,723,848
Profit or loss from financing	3,607,921	-1,912,023

In 2009, the Group's financial income from interest amounted to EUR 202,380 and included income from interest on current loans to other entities. Net foreign exchange losses amount to EUR 31,675.

Interest-related costs in 2009 amounted to EUR 410,828 and lower compared to 2008 due to declining volumes of financing from commercial banks and lower interest rates. The Group's net gains from changes in the fair value of assets disclosed in the income statement resulted from trading of financial derivatives and amounted to EUR 3,887,589 in 2009.

Income from payments of written off receivables amounted to EUR 41,856, while costs from the impairment of receivables amounted to EUR 123,079. Revaluation adjustments in the business year accounted for EUR 113,407 and directly impaired receivables for EUR 9,672 of this amount.

Other financial income and costs include non tax deductible VAT, the rounding differences, and the reversal of costs of financial transactions from previous years.

Disclosure 20: Taxes

Amounts in €

Taxes	2009	2008
Current tax	2,888,712	2,302,083
Deferred tax	-18,755	-12,579
Total	2,869,957	2,289,504

In 2009, the Group reported corporate income tax in the amount of EUR 2,888,712 and deferred tax assets in the amount of EUR 18,755.

Deferred tax assets totaling EUR 18,755 include additional provisions for severance payments and jubilee bonuses created in 2009 in the amount of EUR 2,236 and depreciation of intangible fixed assets not recognized for tax purposes in the amount of EUR 16,519.

Amounts in €

Effective tax rate	2009	2008
Gross profit before tax	17,790,025	12,453,353
Statutory tax rate	21 %	22 %
Income tax at statutory tax rate, prior to changes in tax base	3,735,905	2,739,738
Tax exempt income	-673,474	0
Non-deductible expenses	53,662	91,755
Tax relief	-21,102	-17,836
Effect of tax rates in foreign jurisdictions	-225,034	-524,153
Effective tax rate	16.13 %	18.38 %
Current and deferred income tax	2,869,957	2,289,504

Disclosure 21: Data on groups of persons

Gross earnings in 2009 and 2008

Amounts in €

Gross earnings	Gross earnings of the management boards of the parent company and subsidiaries	
	2009	2008
Wages and salaries	195,803	204,630
Fringe benefits and other remuneration	463,137	392,845
Total	658,940	597,475

Financial instruments and risk exposure

Disclosure 22: Credit risk

Amounts in €

Items	31/12/2009	31/12/2008
Non-current receivables	63,090	57,275
Current accounts receivable	50,054,881	60,618,590
Other current receivables	8,419,713	17,620,547
Short-term deposits	34,097	1,736,356
Current loans	1,000,000	2,589,148
Cash and cash equivalents	15,752,693	4,603,302

Trade receivables	Carrying amount	
	2009	2008
Domestic	40,032,274	32,646,576
Euro – area countries	9,947,021	21,451,681
Countries of former Yugoslavia	75,586	6,520,333
Total	50,054,881	60,618,589

Amounts in €

Trade receivables	Carrying amount	
	2009	2008
Wholesale customers	29,198,134	48,104,036
Retail customers	20,856,747	12,514,553
Total	50,054,881	60,618,589

As described in the business report, the GEN-I Group uses an active approach to managing credit risks and financial exposure to individual business partners. Its approach is based on the consistent application of Company bylaws and procedures for identifying risks and assessing exposure to them, determining the permissible limits of risk exposure, and constant monitoring of the Company's exposure to risks in its dealings with individual business partners. In line with Company rules, the risk-management unit analyzes credit standing of each new trading partner and large customer that wishes to purchase electricity from GEN-I. This risk-assessment report serves as a basis for future cooperation, enabling the Company to define credit lines for hedging purposes and offer new partners payment and delivery conditions adjusted to their particular risk levels. When monitoring credit risks and daily credit line exposure, the Group divides individual partners into groups according to their credit characteristics (whether it is a company or a group of companies, trading partner, end-customer, or retail customer), geographical position, industry, age structure and maturity of receivables, financial difficulties in the past, and any breaches of contractual obligations based on the estimated level of risk. In order to minimize risks associated with a partner's inability to settle outstanding receivables, the Group pays particular attention to the use of appropriate financial and legal instruments when negotiating daily transactions to ensure that contractual obligations are met. These instruments are incorporated into contractual relationships with business partners based on analyses of their credit standing and relevant risk assessments.

Impairments of receivables and their structure according to maturity are described in Disclosure 4.

Disclosure 23: Liquidity risk

Amounts in €

Financial liabilities 2009	Carrying amount	Contractual cash flows	Up to 6 months	6 - 12 months
Non-derivative financial liabilities				
Secured bank loans	3,000,000	3,089,428	0	3,089,428
Trade and other payables	28,679,223	28,679,223	28,570,485	108,738
Total	31,679,223	31,768,651	28,570,485	3,198,166

Amounts in €

Financial liabilities 2008	Carrying amount	Contractual cash flows	Up to 6 months
Non-derivative financial liabilities			
Secured bank loans	14,082,428	14,128,821	14,128,821
Trade and other payables	55,191,759	55,191,759	55,191,759
Total	69,274,187	69,320,580	69,320,580

The liquidity of the entire GEN-I Group is managed by the parent company, which monitors and plans short-term solvency and ensures it by coordinating and planning all cash flows within the Group. At the same time, the Company takes into account credit risks associated with possible late payments and poor payment discipline, which can affect the planning of inflows and the Group's investment activities.

The Group also constantly monitors and optimizes short-term surpluses and shortages of monetary assets, both at the level of individual companies and at the Group level. A liquidity reserve in the form of credit lines approved by commercial banks, diversification of financial liabilities, constant adjustment of maturity periods of liabilities and receivables, and consistent collection of receivables are all factors that guarantee the Group successful cash flow management, ensuring its purchasing power, and reducing the level of short-term solvency risks. Due to the Group's active approach to financial markets, its good performance in the past, and a stable operating cash flow, liquidity risks are within acceptable parameters and entirely controllable.

The Group's long-term solvency is ensured by preserving and increasing its share capital and maintaining a good financial balance. To achieve this, the Group adjusts the structure of its financial position to match the maturity of its financial liabilities. As part of liquidity risk management activities in 2010, the management board intends to further strengthen the Group's long-term and short-term solvency and include new subsidiaries in the liquidity monitoring system.

Disclosure 24: Currency risk

Amounts in €

Receivables and liabilities	Euro	Hrk	Mkd	Bam	Rsd	Huf	All	Ron
	31/12/2009							
Trade receivables	49,790,295	0	0	0	0	0	0	264,586
Secured bank loans	-3,000,000	0	0	0	0	0	0	0
Trade payables	-22,557,929	-9,511	-151,351	-1,215,986	-1,827	-1,464	-1,238	-2,236
Gross exposure of financial position	24,232,366	-9,511	-151,351	-1,215,986	-1,827	-1,464	-1,238	262,350
Net exposure	24,232,366	-9,511	-151,351	-1,215,986	-1,827	-1,464	-1,238	262,350

Amounts in €

Receivables and liabilities	Euro	Hrk	Mkd	Bam	Rsd	Huf	All	Ron
	31/12/2008							
Trade receivables	51,246,839	8,305	0	0	7,507,567	1,855,878	0	0
Secured bank loans	-14,082,098	0	0	0	0	0	0	0
Trade payables	-31,820,735	-945,650	-860	-897	-4,134,592	-5,406,682	0	0
Gross exposure of financial position	5,343,988	-937,345	-860	-897	3,372,975	-3,550,804	0	0
Net exposure	5,343,988	-937,345	-860	-897	3,372,975	-3,550,804	0	0

The GEN-I Group is actively involved in establishing a suitable infrastructure for foreign currency transactions and implementing a number of currency-hedging mechanisms, including forward contracts and currency clauses, particularly on markets outside the euro area.

The Group is mainly exposed to currency risks when conducting its core activities, i.e. electricity trading and sales and cross-border capacity trading, and also with regard to loans and participating interests held in foreign subsidiaries. According to the scope of its operations, the Group is exposed to currency risks associated with the Hungarian forint (HUF), Serbian dinar (RSD), Croatian kuna (HRK), Bosnia and Herzegovina convertible mark (BAM), Macedonian denar (MKD), and Romanian leu (RON).

Currency risks are minimized by linking selling prices of goods to the currency used by the sources that finance the purchase of these goods. To a certain extent, currency risks between subsidiaries are reduced “naturally” because a part of the expected inflows from individual companies is balanced out by the expected outflows in the same currency. If necessary, the Group also uses derivatives and a number of forward currency contracts to hedge against these risks.

Disclosure 25: Interest risk

Amounts in €

Financial instruments	Carrying amount	
	2009	2008
Fixed rate instruments	0	
Financial assets	1,000,000	2,500,000
Financial liabilities	3,000,000	0
Variable rate instruments	0	
Financial liabilities	0	14,082,428

The Group manages interest risks by constantly evaluating risk exposure and possible effects of changing reference interest rates (the variable part) on its costs from financing activities. The Group also monitors its loan portfolio, which could be affected by a change in applicable interest rates. As part of its risk management activities, the Group monitors interest rate fluctuations on the domestic and foreign markets as well as on derivatives markets. The purpose of the Group's ongoing monitoring activities and analyses is to propose timely protective measures by balancing assets and liabilities in its statement of financial position.

V.4 Events after the statement of financial position date

No events occurred after the reporting date that could affect the Company's 2009 financial statements.

V.5 Statement by the management board

The management board hereby certifies that the annual report and all of its components were compiled and published in accordance with the Companies Act and the International Financial Reporting Standards.

The management board hereby approves the consolidated financial statements of the GEN-I Group for the business year that ended on 31 December 2009, including the notes to the consolidated financial statements from page 95 of the accounting report onwards.

The management board certifies that all relevant accounting principles were consistently applied in drafting the consolidated financial statements of the GEN-I Group. Accounting estimates were prepared according to the principles of prudence and due diligence. The management board certifies that the annual report provides a true and fair picture of the assets and performance of the GEN-I Group in 2009.

The consolidated financial statements with notes were prepared on a going concern basis and in line with the relevant legislation and International Financial Reporting Standards.

Martin Novšak,
Vice President of the Management Board



Robert Golob, PhD
President of the Management Board



Krško, 4 March 2010

V.6 Certified auditor's report



Independent Auditor's Report

To the Shareholders of GEN-I, trgovanje in prodaja električne energije, d.o.o. Krško

We have audited the accompanying consolidated financial statements of the company GEN-I, trgovanje in prodaja električne energije, d.o.o. Krško and its subsidiaries (the GEN-I Group) which comprise the consolidated statement of financial position as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the GEN-I Group as at 31 December 2009, its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying consolidated financial statements.

KPMG SLOVENIJA,

podjetje za revidiranje, d.o.o.

Marjan Mahnič, B.Sc.Ec.

Certified Auditor

Partner

Ljubljana, 15 March 2010

KPMG Slovenija, d.o.o.

The Independent Auditor's Report hereof is a translation of the original Independent Auditor's Report in Slovene, issued on the financial statements and the notes thereto in Slovene. This translation is provided for reference purposes only and is not to be signed.

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Note: The English Edition is a translation of the Slovene original which remains the legal version.

